

From combating to managing: Demographic decline in the Netherlands

Policy strategies for current and future shrinking regions

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Summary

From 2010 onwards, population and household numbers are projected to decrease rapidly in an increasing number of municipalities and regions in the Netherlands. There will also be a rapid decrease in the size of the potential labour force due to the decrease in the number of young people and the ageing of the population. This demographic decline will not only take place in the municipalities of Parkstad Limburg, Eemsdelta and Zeeuws-Vlaanderen – the three regions already experiencing population decline – but will also affect a great many other municipalities and regions elsewhere in the Netherlands. In 2010, the Dutch Government identified ‘anticipating regions’ – regions that may be faced with shrinkage. Municipalities in the shrinking and anticipating regions need to prepare for the possible effects of demographic decline, not only on their housing market policies, but also on policies relating to the regional economy, retail trade, business locations and the labour market. Experiences in current shrinking regions show that there is little use trying to combat demographic decline, and that a policy shift from combating shrinkage to managing shrinkage can be a difficult process. Anticipating demographic decline in time can prevent or limit the problems associated with shrinkage. Municipalities need to work together at the regional level to ensure that they do not compete for the same residents and businesses. This also helps prevent unprofitable spatial investments, financial problems and unoccupied homes and offices. The provinces and national government can encourage municipalities in shrinking and anticipating regions to anticipate demographic decline both in their housing policy and their economic policy. They can also support the municipalities in their search for new coalitions, in developing financial resources and in exploring the possibilities provided by existing regulations to implement strategies that focus on anticipating and managing shrinkage. However, demographic decline will also force national government and the provinces to assess their own policy. Despite the current focus on shrinkage, spatial, economic and housing market policies at these higher administrative levels still focus too strongly on stimulating and enabling growth.

Demographic decline: consequences and policy responses

- According to the most recent PBL and CBS population and household projections, more than one third of all municipalities in the Netherlands will experience population decline before 2040, and roughly one tenth will experience a decline in the number of households. The size of the potential labour force will also decline in almost all municipalities.
- Shrinkage, therefore, will not be restricted to the current shrinking regions, although it will be more extensive in these regions than elsewhere in the Netherlands. For example, the potential labour force in Parkstad Limburg is projected to decrease by 48,000 between 2008 and 2040, in Eemsdelta by 12,000 and in Zeeuws-Vlaanderen by 17,000. In the same period, the population of Parkstad Limburg is expected to decrease by 39,000, of Eemsdelta by 11,000 and of Zeeuws-Vlaanderen by 12,000. The number of households will decrease by 14,000 in Parkstad Limburg and by 3,000 in both Eemsdelta and Zeeuws-Vlaanderen.
- Demographic decline affects the local and regional housing market, population-related commerce and the labour market. Shrinkage results in a more relaxed housing market, which may lead to a surplus of houses on the market. A decrease in population and number of households implies a smaller local market and may lead to an oversupply of amenities such as shops, offices and schools. This surplus in housing and amenities in turn may result in empty properties. Shrinkage can also mean there will be fewer, or more competition over, workers, or even a shortage. This will disadvantage labour-intensive sectors in particular.
- Municipalities in the current shrinking regions of Parkstad Limburg, Eemsdelta and Zeeuws-Vlaanderen have for many years failed to anticipate demographic decline. They have responded to it, although mainly in the form of a housing market strategy that focuses on offsetting the effect of shrinkage by attracting new residents. There has been no or very little attention paid specifically to demographic decline in spatial-economic, retail trade, labour market and business location policies.
- Only recently have housing market strategies in the current shrinking regions begun to focus more on managing shrinkage by attempting to match the housing stock to the reduced demand, for which regional agreements have now been made in Parkstad Limburg and Eemsdelta.
- Making the policy shift from combating to managing shrinkage has turned out to be a difficult process for the municipalities in the current shrinking regions. Although there have been problems in policy implementation, the main stumbling blocks have been related to coordination and financing issues. For example, municipalities are wary of moderating their plans for housing, work and amenities as they think this will affect their attractiveness to potential new residents and/or businesses. It is also difficult to find the funding for concentrating, demolishing or redeveloping residential, business and retail locations. This is because the income from new construction development is limited in shrinking regions and redevelopment does not generate any extra revenue.

Policy recommendations

Municipalities

- Municipalities in the current shrinking and anticipating regions must take demographic decline into account, not only in their housing policies, but also in their spatial-economic, retail trade, labour market and business location policies. They must do this because of the direct and indirect effects of demographic decline on the economy, and vice versa. Shrinkage can also complicate the implementation of economic policy. For example, it will be difficult to redevelop business locations in shrinking regions as it is usually not possible to turn them into residential areas. After all, there is very little demand for housing.
- Future policy efforts in shrinking and anticipating regions must focus more on anticipating and managing demographic decline rather than reacting to and combating it. After all, experience in current shrinking municipalities and regions has shown this to have little effect.
- It would make sense for municipalities to coordinate their shrinkage policies on a regional level. This applies to housing market policies as well as to retail trade and business location policies. Coordinating construction, demolition and redevelopment plans for residential, shopping and business locations not only prevents intraregional competition for the same residents and businesses, but also prevents unprofitable spatial investments and empty buildings.
- Municipalities, therefore, also need to find regional solutions to the problems they come across in attempting to make the transition. This means that local government officials need to be more aware of the effects of shrinkage on the housing market and the economy. They also need to make a collaborative effort to find new regional coalitions and to encourage the relevant parties to abandon practises focused on growth. It is also recommended that other parties active in the regional housing market (e.g. housing associations and property developers) become involved, as well as those from the regional economy; for example, the business community and organisations such as Chambers of Commerce, trade organisations for small and medium-sized enterprises (SME) and employers' organisations. Pooling resources to develop and experiment with new financial resources and to develop knowledge and make better use of existing regulations may also help to remove obstacles.
- If the regional approach is to be successful, good financial agreements, for example, concerning settlement or a demolition fund, are crucially important. Such agreements should be set out in a joint implementation plan.
- The implementation problems associated with the transition from combating to managing shrinkage may also play a role in anticipating regions when attempting to anticipate and manage demographic decline. Timely anticipation of future demographic developments would make it easier for municipalities in these areas to successfully make the transition than has been the case in the current shrinking regions. It would also reduce the cost of the transition process. Acting now may prevent or limit the problems associated with demographic decline.

National government and provinces

- The national government and the provinces should raise awareness of the consequences of demographic decline amongst local government officials. They could highlight the importance of paying attention to demographic decline, not only in housing market policies but also in economic policies, and of anticipating it in time and preferably on a regional level.
- The national government and the provinces can also support local government officials in shrinking and anticipating regions in their search for new coalitions and in experimenting with new financial resources, such as regional settlement, a regional demolition funds and public-private partnerships. They could also help analyse the opportunities provided by existing regulation, such as that included in the new Dutch Spatial Planning Act, for implementing strategies to manage shrinkage.
- Finally, shrinkage forces national government and the provinces to adjust their own policies. Despite the current attention for shrinkage, the focus of spatial, economic and housing market policies remains too strongly on stimulating and enabling growth.

Introduction

The Dutch Ministry of the Interior and Kingdom Relations (BZK), the Association of Netherlands Municipalities (VNG), the Association of Provincial Authorities (IPO) and the provinces of Groningen, Zeeland en Limburg will organise a conference on 2 December 2010 entitled *Krimp in beweging. Samen werken aan ambitieuze regio's* (Shrinkage in motion. Working together for ambitious regions). The purpose of this conference is to allow participants to share their views on demographic decline and to learn from each other's ideas and experiences. The conference will also contribute to the intergovernmental population decline action plan progress report (*Krimpen met kwaliteit. Interbestuurlijk Actieplan Bevolkingsdaling*, BZK et al., 2009) and the strategic knowledge agenda to be sent in early 2011 by the ministry, the IPO and the VNG to the Dutch House of Representatives. Meanwhile, the new Dutch Cabinet has indicated in its coalition agreement that more attention will be paid to regions facing demographic decline in spatial development policy. With this in mind, national government will work with the regions concerned to seek measures to provide these regions with new impulses and development opportunities (VVD and CDA, 2010: 46).

Text box Demographic decline, shrinking regions and anticipating regions

Three forms of demographic decline were identified for the purpose of this report, namely a decrease in (i) the number of inhabitants, (ii) the number of households and (iii) the potential labour force. Although developments in the size of the potential labour force and the number of households are in some respects at least as relevant to the regional economy and housing market as developments in population size, public debate often only focuses on the last. The potential labour force here is considered to be the group of people between 20 and 65 years of age.

However defined, broadly speaking, there are three reasons for demographic decline. These are: sociocultural developments such as individualisation and emancipation; regional economic developments such as in commerce and work opportunities; and planning decisions, primarily related to housing. Sociocultural factors mainly affect natural population developments (birth and death rates). Regional economic and planning factors mainly affect migration patterns (Van Dam et al., 2006, also see Chapter 4 of the Dutch report).

Demographic decline is not yet an issue at national level. CBS (2008) predicts the decrease in population to start from 2038 and the number of households from 2039. The potential labour force, however, will start to decrease as early as 2011 (see also Chapter 1 of the Dutch report), although some municipalities and regions are already facing demographic decline. Population growth has remained lower than the Dutch average in several municipalities over the last ten years, mainly located at the periphery of the Netherlands, in particular in south Limburg and north-eastern Groningen. There has also been a slight decrease in population in some municipalities in the centre of the Netherlands, although this often concerns those that border on growth municipalities, whereas at the periphery of the country, several adjacent municipalities may all be experiencing decline. The population decreased by more than 2.5% in a total of 40 municipalities between 1998 and 2008 (see also Chapter 1 of the Dutch report). However, the number of households only decreased by more than 2.5% in four municipalities. The number of households increased in most other municipalities, mainly due to the increase in the number of single and two-person households (see also Chapter 1 of the Dutch report). The size of the potential labour force decreased in 167 municipalities (38% of the total) between 1998 and 2008.

Only a limited number of regions are currently faced with one or more forms of demographic decline. A shrinking region is one in which neighbouring municipalities experience one or more forms of continued demographic decline, either now or for the near future. There are three current shrinking regions to which this applies and which are the subject of this report – Parkstad Limburg, Eemsdelta and Zeeuws-Vlaanderenⁱ. Parkstad Limburg includes the municipalities of Brunssum, Heerlen, Kerkrade, Landgraaf, Onderbanken, Simpelveld and Voerendaal and, since 2009, Nuthⁱⁱ. Eemsdelta includes the municipalities of Appingedam, Delfzijl, Eemsmond and Loppersum, and for Zeeuws-Vlaanderen these are the municipalities of Hulst, Sluis and Terneuzen.

There are also regions that are not yet faced with a continued decrease in population or household numbers, but are likely to will have experienced the transition from growth to shrinkage by 2030. These are the anticipating regions. These regions correspond largely to the anticipating regions designated by the former Secretary of State of BZK and the Minister of Housing, Communities and Integration (WWI)ⁱⁱⁱ. The anticipating regions are the middle of Limburg, northern Limburg, Achterhoek, eastern Drenthe, Twente, the Green Heart, western Brabant, Goeree-Overflakkee, Voorne-Putten and Hoeksche Waard, north-eastern Friesland, parts of western Friesland, Kop van Noord-Holland and Schouwen-Duiveland (Dutch House of Representatives, 2010b: 1). Designation of these anticipating regions is based on the municipal population and household forecasts, according to the PEARL and PRIMOS models, in consultation with the provinces.

Finally, most shrinking and anticipating regions in fact are faced with specific forms of demographic decline, such as a decrease in the number of young or highly educated people, a decrease in the number of higher income households or a strong increase in the number of people aged 65 and over. Such developments mean that the effects of demographic decline on the housing market and the economy will be different for each region.

The action plan 'qualitative shrinkage' (*Krimpen met kwaliteit*) was published in autumn 2009 and discussed in the Dutch House of Representatives in February 2010 (Dutch House of Representatives, 2010a). The plan is mainly intended for municipalities and regions already experiencing population decline. Various action points are described for the relevant government officials working in the fields of housing, education, employment and spatial development, and are already being implemented. The Ministry of BZK aims to use the 2 December conference to widen the focus and the discussion to include the regions that are not yet experiencing consistent population decline, but are likely to in the future (the anticipating regions).

The full report (in Dutch) to this summary represents the contribution by the PBL Netherlands Environmental Assessment Agency, one of the participants in the conference, to the discussion. The first section, 'Findings' (included in this translation), is partly based on previously published PBL articles and reports on demographic decline. Eight of these articles are included in the second section, 'Full Results' (only available in Dutch). The findings are also based on a thesis by PBL researcher Femke Verwest, *Demographic decline and local government strategies. A study in institutional dynamics*, with which she hopes to receive her doctorate from Radboud University Nijmegen in 2011.

The findings first briefly address the regional population and household projections of demographic decline; how many and which municipalities and regions will soon be faced with shrinkage? The effects of this demographic decline either now or in the near future on the regional housing market and economy are subsequently dealt with. There is a specific focus on these policy areas as these are the areas in which the effects of demographic decline are expected to be most felt. Where possible, effects are illustrated using data from the three current shrinking regions of Parkstad Limburg, Eemsdelta and Zeeuws-Vlaanderen. The way in which government officials in these regions have responded to demographic decline in their economic and housing policies is discussed, as well as the problems they encountered when implementing policy, and possible solutions to these problems. The aim of the exercise is to draw lessons from experiences in current shrinking regions for future policy in the anticipating regions, and to formulate recommendations for municipalities, provinces and national government.

A number of concepts are explained in the text box on 'Demographic decline, shrinking regions and anticipating regions', which introduces the regions mentioned and provides some information about population decline as presented.

Demographic decline in the near future

PBL and CBS predict a rapid increase in the number of municipalities and regions that will face one or more forms of demographic decline in the near future. This section briefly discusses how many and which municipalities and regions will be affected, based on the most recent PBL/CBS regional population and household projections (PBL & CBS, 2009)^{iv}.

Between 2008 and 2040, the population is expected to decrease in more than a third of all municipalities, the number of households in about one tenth of all municipalities and the potential labour force in almost all of them (see Figures 1, 2 and 3). The population is expected to decrease by more than 2.5%, or 250,000 people, in over a quarter of municipalities up to 2040, particularly in municipalities at the periphery of the Netherlands. By contrast, the population will increase by over 1.25 million in municipalities in more central areas of the Netherlands, including the Randstad (the conurbation in the Netherlands consisting of the four largest cities of Amsterdam, Rotterdam, The Hague and Utrecht and surrounding areas) (see Chapter 1 of the Dutch report). Therefore, it is mainly the small municipalities (with up to 20,000 inhabitants) and medium-sized municipalities (20,000 to 50,000 inhabitants) that will be faced with demographic decline. Most of these are rural municipalities (see Chapter 6 of the Dutch report).

There will also be a strong increase in the number of regions faced with one or more forms of shrinkage. The transition maps (see Figures 4 and 5) show in which year regions are expected to reach their maximum population, number of households or potential labour force size, and show that, by 2040, population growth will have turned to population decline in 33 of the 40 COROP areas. The potential labour force is expected to decrease rather than increase in size in almost all COROP areas before 2040, as will the number of households in 21 regions. The decrease in the number of households, as with population decline, is expected to mainly take place at the periphery of the Netherlands. A decrease in the potential labour force has already begun in 24 COROP areas in 2010 (see Figure 5). From 2020 onwards in particular, the number of municipalities and regions faced with a decrease in both population and household numbers is expected to rapidly increase.

Finally, the report examines the general forecasts based on data from the three shrinking regions that are the focus of this report. What can these three regions expect in the near future? According to the forecasts, in Parkstad Limburg (including the municipality of Nuth), the population will decrease by 39,000 (-16%) between 2008 and 2040, household numbers by 14,000 (-12%) and the potential labour force by 48,000 (-31%). In the same period, the population will decrease by 11,000 (-17%) in Eemsdelta, household numbers by 3,000 (-10%) and the potential labour force by 12,000 (-31%). In Zeeuws-Vlaanderen, the population will decrease by 12,000 (-12%), household numbers by 3,000 (-6%) and the potential labour force by 17,000 (-27%).

Figure 1

Population development per municipality, 2008 – 2040

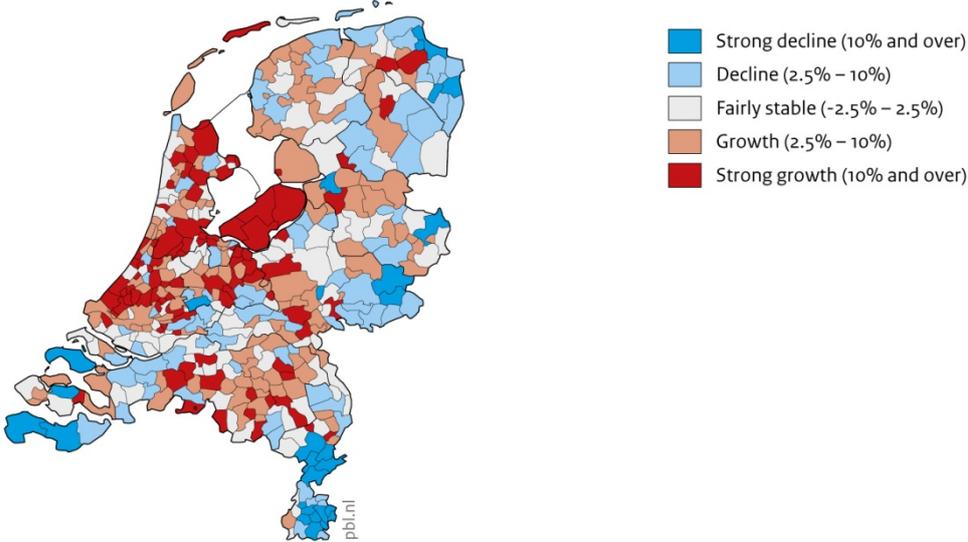


Figure 2

Development in household numbers per municipality, 2008 – 2040

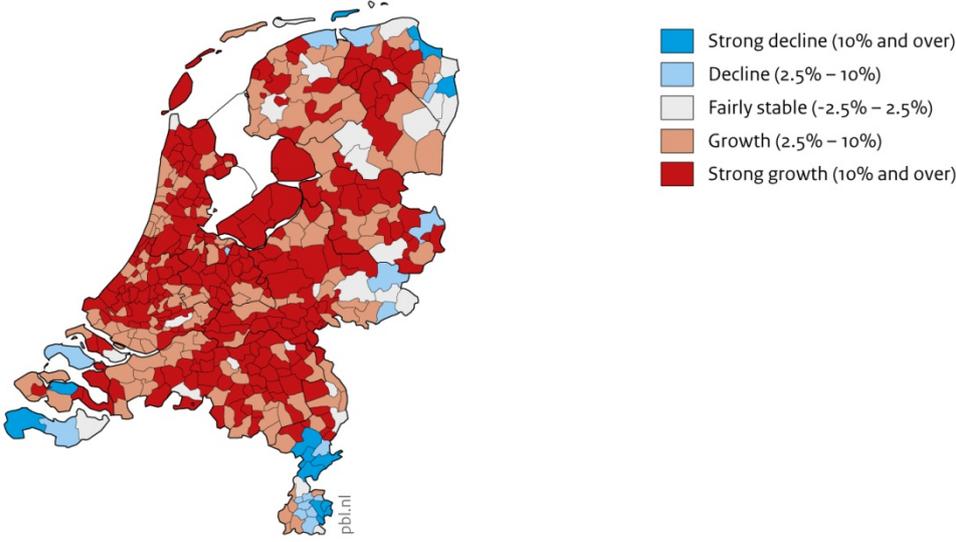


Figure 3

Development in the potential labour force per municipality, 2008 – 2040

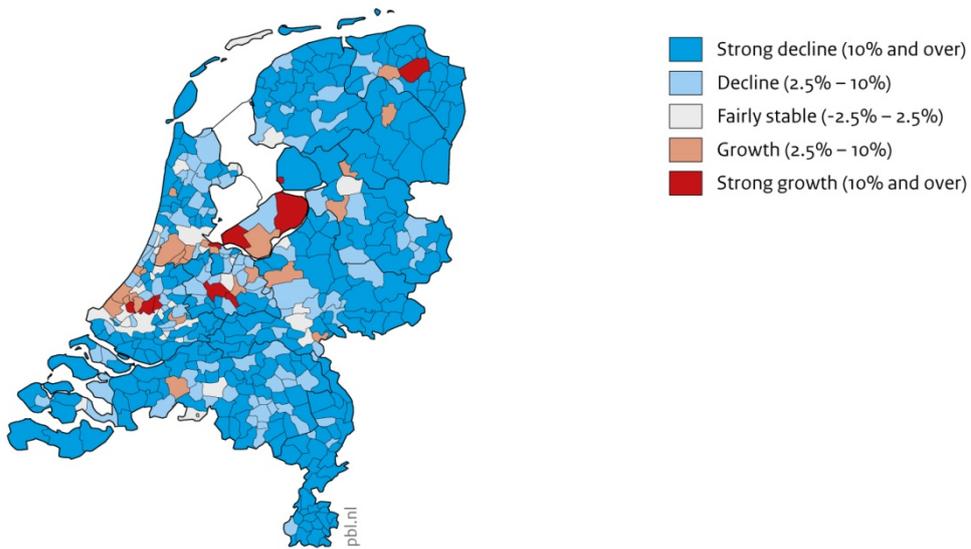
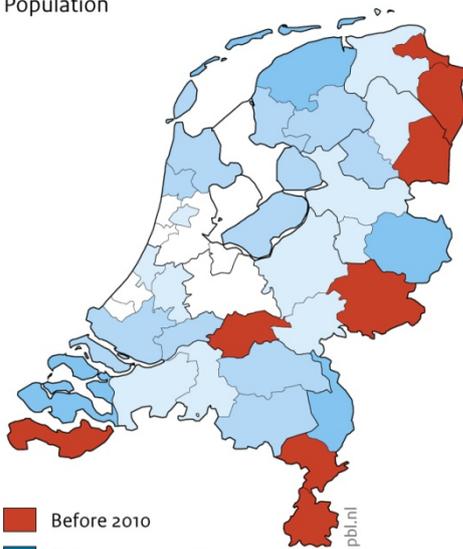


Figure 4

Transition towards shrinkage

Population



Households

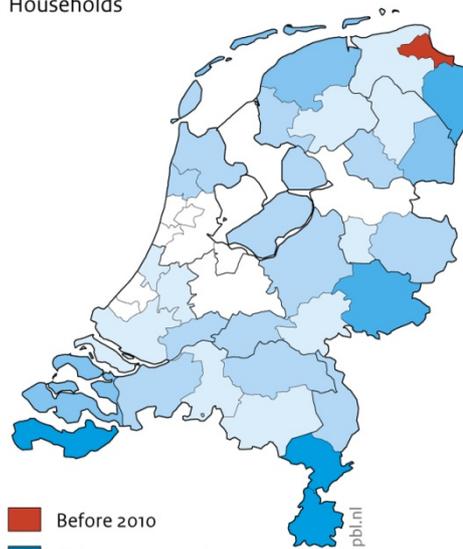
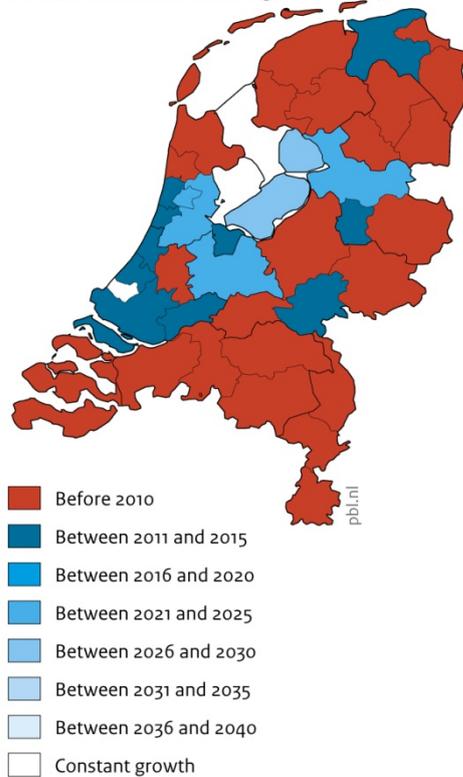


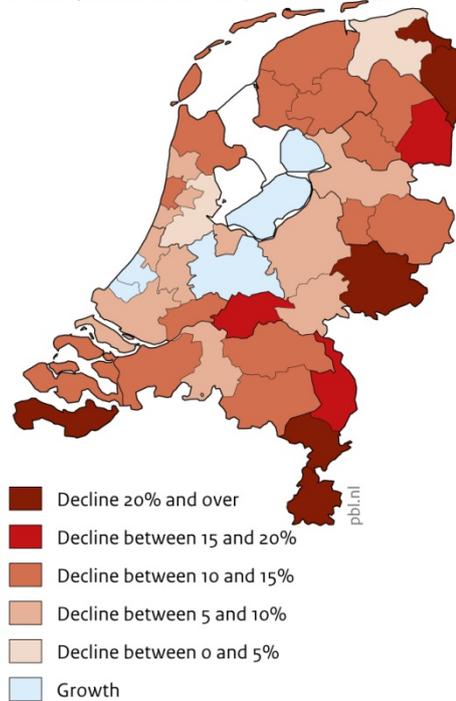
Figure 5

Decline in potential labour force

Transition towards shrinkage



Development 2008 – 2040



Possible effects of demographic decline

Now that demographic decline is a reality in some municipalities and regions and a very real possibility in the anticipating regions, municipalities and regions – mostly used to growth – are faced with a new policy context. After all, demographic decline has effects on the local and regional housing market and economy – effects that local governments will have to deal with in one way or another. This section discusses these effects based on earlier PBL publications and other research in this area. It illustrates the findings, where possible using data from the three current shrinking regions⁹.

Shrinkage and the housing market

A decrease in population is often the result of reduced household sizes and therefore mainly affects the qualitative demand for different types of housing. The demand for a certain type of house (e.g. single family homes) may decrease, but as long as the number of households increases and the housing market therefore remains tight, even homes that do not match demand will also remain occupied. Demographic decline, thus, will only be felt on the housing market if household numbers drop and the quantitative demand for homes decreases (see also Chapters 3, 4 and 5 of the Dutch report). A decrease in quantitative demand together with a constant supply results in the most relaxed form of housing market, the effect of which may be a surplus in houses and empty properties. In shrinking areas, therefore, the housing market changes from a supply market to a demand market (Priemus, 1999). This change has both positive and negative effects.

There are advantages, for example, for first-time buyers and people moving up the property ladder; in a relaxed housing market, house prices are relatively low and there is a wide choice, enabling buyers to find what they are looking for more easily (see Chapter 5 of the Dutch report). The disadvantages are felt mainly by people selling houses (property developers, housing associations, private owners or landlords) and municipalities. A housing surplus means that properties remain unoccupied in the least attractive sectors of the market; in particular, in the rental sector, so that incomes from rent decrease (Verwest et al., 2008; Buitelaar et al., 2009). A strong reduction in the number of

households in urban shrinking municipalities may result in a considerable loss of income for housing associations and landlords.

In the owner-occupied housing market, a decline in household numbers results in properties being on the market for longer and selling for lower prices, rather than being left unoccupied. This benefits buyers, but makes it more difficult for private owners to sell their house, with all the financial problems that this entails (Van Dam and Verwest, 2010; Middelkoop, 2010). In 2007, before the housing market became affected by the crisis, properties were on the market for about 180 days in the three shrinking regions, while the national average was about 120 days. The average price was also lower than the national level, and the average sale price lower than the national average in all municipalities in the three shrinking regions (almost 255,000 euros in 2008) (Verwest et al., 2008)^{vi}. It should however be noted that house prices depend not only on population size and distribution, but also on interest rates, mortgage conditions, conjunctural developments, consumer confidence and the number and quality of properties on offer (Renes et al., 2006).

The average house price provides an indication of the relatively low attraction of these regions as places of residence (Visser and Van Dam, 2006). Verkade (2009) also noted that the value assigned to a house in shrinking areas under the Dutch Real Estate Appraisal Act (WOZ value) is lower than the national average, with the cheapest houses in Parkstad Limburg, Eemsdelta, east Groningen and Zeeuws-Vlaanderen. Verkade based his findings on data from 2004. The analysis was repeated using data from 2008, with the same result.

Finally, shrinkage can also result in the spatial concentration of low-income groups. Although, in a relaxed housing market, more people may be able to move from their present, possibly less-valued area to another area, there may also be people who cannot afford to move and thus stay in the least attractive areas and the least attractive sector of the housing market (Van Dam et al., 2006; Verwest et al., 2008). After all, for rented social housing, the market mechanism of price reduction followed by a reduction in costs does not take place in the event of low demand. Other shrinkage-related problems, such as vacancies and long sale times, will also be concentrated in these areas. This mainly concerns early post-war residential areas, areas built in the 1980s and small villages in less-valued rural areas at the periphery of the country (Van Dam et al., 2006).

Although there is general support for the conclusion that a decrease in the number of households can have significant effects on the housing market (e.g. Eichholtz and Lindenthal, 2008; Francke, 2010), it should be emphasised that a strong decrease in the number of households is either currently taking place or will do so in the near future in only a limited number of municipalities. Nevertheless, the projected decrease in urban municipalities, such as in Heerlen and Kerkrade, can be called extreme.

Shrinkage and the regional economy

The relationship between demographic and regional economic developments is complex and less direct than between demography and the housing market. Regional economic developments, such as changes in the nature and extent of regional commercial activities and work opportunities, can be both a cause and an effect of demographic decline. Furthermore, many other developments also play a role, such as changes in consumer and producer habits and prosperity. These are in fact just as important, if not more so, in terms of influencing the economy. However, demographic developments also have an indirect effect on the economy and may reinforce effects that cannot be directly, or not only, attributed to shrinkage.

This section discusses the possible effects of shrinkage on the market, the labour market and commerce. Because of the complex relationship between demography and the economy, the effects on the economy are discussed in somewhat more detail than the effects on the housing market. Another reason for this more in-depth discussion is that PBL has already published several articles about the effects on the housing market (see Chapters 3, 4 and 5 of the Dutch report; Verwest et al., 2008), while data on the effects on the economy are based on recent research over which to date little has been written.

Market

A decrease in population and household numbers could result in a decrease in demand for some goods and services, and therefore lead to a smaller local and regional market. This applies in particular to population-related economic activities, such as retail, hotel and catering services and personal services (see also De Graaff et al., 2008). Changes in population distribution can also have a negative effect on the market. For example, data from the Dutch regional income research programme (RIO) show that the average disposable income per household in the three shrinking regions was lower than the national average between 2001 and 2006, and that between 2001 and 2005 the percentage of low-income households (with an annual income below or equal to just over 9,200 euros) was higher than the national average (CBS *Regionaal Inkomensonderzoek* (RIO), 2005). A smaller market in turn may lead to the bankruptcy of consumer service businesses, which could then result in an oversupply of shops and restaurants, and therefore vacancies (Van Dam et al., 2006; Derks et al., 2006a,b). For example, data from Locatus (2009) on retail trade show that the number of empty shops in 2009 in the three shrinking regions was higher than the national average.

Some local government officials are worried that a vicious circle will develop; from demographic decline to fewer amenities and reduced liveability, and therefore to further demographic decline, especially in small rural villages. According to Thissen (2010) and Van der Wouw et al. (2009), this fear is based on the outdated idea that people are largely dependent on villages for their social contacts and employment, while in practise villages have become primarily a place to live. An increasing number of residents find the quality of the housing and surroundings much more important than the availability of local amenities. Visser and Van Dam (2006) also question this 'fear' by showing that people's choice of residence depends only to a very small extent on local amenities. Most people who live in villages are sufficiently mobile to reach the services they need, in the same way that they travel to work. A reduction in local services therefore does not necessarily affect the attractiveness of these areas as a place to live, let alone result in demographic decline (Chapter 6 of the Dutch report). However, Raspe et al. (2009) show that empty shops and unoccupied properties are not good for commercial development in urban areas. They believe that unoccupied shops and restaurants mean that other consumer services are more likely to leave the area or grow less quickly or are less likely to survive.

Labour market

A decrease in the potential labour force may result in a reduction in the regional labour supply or, in other words, a shortage of workers^{vii}. This can have a negative effect on regional employers; for example, because it becomes more difficult to find sufficient, or sufficiently qualified, workers. This particularly affects labour-intensive sectors, such as the service sector. The effects may be less harmful if the decrease in the potential labour force is compensated by an increase in labour participation (Chapter 8 of the Dutch report) or by an increase in productivity through substitution or renovation.

However, although an increase in labour participation may compensate for the decrease in the potential labour force in the short term, this is not expected to be the case in the long term (Euwals et al., 2009; Imhoff and Van Wissen, 2001). Based on the current retirement age in the Netherlands, Euwals et al. (2009) predict that the size of the active labour force will decrease from about 2020 onwards. The decrease will start earlier in the shrinking regions as, here, the potential labour force has already been decreasing for several years, whereas it is expected only to start to decrease at the national level in 2011. According to Renes et al. (2009: 129), the labour force in the province of Limburg will decrease by 9.3% between 2008 and 2020, by 3.4% in Zeeland and by 3.2% in Groningen. Exactly when the labour force starts to decrease in these shrinking regions will depend on developments in labour participation in these areas, which can vary between regions (Broersma and Van Dijk, 2002). Because labour participation is lower than the national average in the shrinking regions, government authorities, the business sector and trade organisations believe that labour participation can still grow in these areas. However, researchers conclude that labour participation in the shrinking regions has always been and always will be below the national average (e.g. Broersma et al., 2008; Luckey et al., 2007). Although everyone agrees that the labour force will decrease, they disagree about when this will commence.

If, given the existing national collective labour agreements (e.g. Verkade, 2009), free market processes are allowed to take place in the labour market, shortages and competition will be reflected in pay rises or may even lead to the employment of less qualified workers and, therefore, to lower unemployment. However, not everyone believes that this will be the result, as is also described below. Most economists, however, do believe that supply and demand in the labour market will, through pricing mechanisms, lead to a new equilibrium.

Government authorities and the business community in shrinking regions expect a rapid increase in labour shortages, in particular in the technical and healthcare sectors. This expectation is based on the increase in the number of people aged 65 and over and the associated increase in demand for healthcare services combined with the further decrease in the potential labour force (e.g. Euwals et al., 2009; Provincie Limburg, 2008; Provincie Zeeland, 2008). However, a labour shortage in a particular sector is not only the result of demographic developments – the education and career choices made by young people often have a much greater effect. There is, for example, a decrease in the popularity of and interest in technical careers and careers in healthcare throughout the Netherlands. Furthermore, developments in the labour market are determined not only by labour supply, but also by demand. This is difficult to predict and is partly influenced by economic conjecture. However, it is possible to say that the problems will be seen more in shrinking areas than elsewhere.

Derks et al. (2006a) claim that, although a decrease in the potential labour force negatively affects employers and consumers, it may benefit the unemployed and lead to a decrease in unemployment to the fractional level. However, this does not seem to be supported by unemployment figures in shrinking regions, where unemployment is higher than the national average and where the difference between the two, traditionally high, is not getting any smaller (Chapter 8 of the Dutch report). This also agrees with research carried out by Van Dijk and Pellenburg (2006) and De Beer (2008), which shows that a decrease in the size of the potential labour force does not automatically result in lower unemployment due to the difference between labour supply and demand. This is also reinforced by the higher proportion of workers that is less qualified in the shrinking regions compared with the national average.

Economic activities

Opinions vary between researchers regarding the question whether demographic decline affects the choices companies make regarding relocation or between particular areas. According to Derks et al. (2006a), demographic decline will result in an increase in the number of companies relocating from shrinking regions to other regions. Van Dijk and Pellenbarg (2006) claim that this may apply to companies in the manufacturing sector, but that many activities and businesses in this sector have already moved to low-income countries. They therefore believe that decline will result in only a small number of companies relocating. Furthermore, Oort et al. (2007) observed that companies, in order not to lose employees, do not like to move too often, or only within the local area (Chapter 8 of the Dutch report).

Data from the Chamber of Commerce trade register show that the percentage of company closures in Eemsdelta and Parkstad Limburg in the 2001–2007 period were no higher than the national average. However, the same figures show that the percentage of company start-ups in Zeeuws-Vlaanderen and Parkstad Limburg were below the national average. This could be due to the population size, but the population distribution by education level and disposable income in the shrinking regions can also be contributing factors. According to Raspe et al. (2009), the percentage of start-ups in the business service sector is higher in areas with relatively more higher educated people and people from higher income groups.

The employment statistics for the Netherlands (LISA) show that, between 1996 and 2008, the employment rate increased in every sector apart from industry in the shrinking regions, in accordance with the national trend. There are a few exceptions in Eemsdelta, where there was also a reduction in the number of jobs in government services, education and the construction sector, and in Zeeuws-Vlaanderen, where a reduction was also seen in the construction sector. However, the relative increase in the number of jobs in the shrinking regions was below the national average in all sectors (industry, construction, logistics, consumer services, business services, healthcare and public welfare services, government services and education) (Chapter 8 of the Dutch report). Only in the logistics sector in Parkstad Limburg was the increase in the number of jobs above the national average.

As with the location and relocation of businesses, researchers cannot agree on whether demographic decline will affect demand for business locations. Derks et al. (2006a) think that it will, and conclude that a decrease in the potential labour force will result in a tight labour market and to the departure of activities that are not bound to a particular region, such as production units in industry and transport, to low-income countries. They therefore believe that this will result in an end to employment growth in business locations in the foreseeable future, which will affect future demand for business locations. However, Van Dijk and Pellenbarg (2006) note that business locations in the shrinking regions house mainly logistics companies and offices. They believe that these kinds of companies and offices, in contrast to the manufacturing industry, will not move to low-income countries, limiting the oversupply of business locations due to demographic decline.

Previous PBL studies apply some nuances to both views. For example, Van Dam et al. (2006) claim that the demand for business locations is determined not only by demographic developments, but also by changes in land prices, regional economic developments and spatial planning policies. Furthermore, Renes et al. (2009) believe that demographic developments have a primarily indirect influence on the demand for business locations. Firstly, population decline can initially lead to a reduction in the demand for products from particular companies, and thus influence the demand for business locations. Secondly, the expected population decline in the shrinking regions may lead to a reduced demand for business locations. Thirdly, the decrease in household numbers and corresponding decrease in the demand for housing can have a negative effect on the redevelopment of business locations (read more about this in the section below, entitled 'The importance of economic strategies' and 'Implementation issues in the transition from combating to managing shrinkage'). Finally, Renes et al. (2009) note that, in some regions, more land is reserved for business locations than is necessary according to the projections in the *Bedrijfslocatiemonitor* (industrial sites monitor) and oversupply is therefore a distinct possibility; for example, the shrinking municipality of Terneuzen has 277 hectares of surplus land, and for Heerlen this is 77 hectares.

Economic decline?

Demographic decline does not necessarily result in negative economic growth and a decline in prosperity. The effects will vary per economic sector and region, and will partly depend on the type of businesses in the region and developments in labour participation and productivity (Chapters 2 and 8 of the Dutch report).

For example, Gross Regional Product (GRP) is not decreasing in the COROP areas of south Limburg, the Delfzijl region and Zeeuws-Vlaanderen, but actually increased between 1995 and 2007, although GRP growth remained below the national average^{viii}. GRP per capita also increased over the same period in the shrinking regions. In Zeeuws-Vlaanderen and the Delfzijl region, per capita GRP was even higher than the national average in 2009. This is in agreement with the findings by Gáková and Dijkstra (2010) who, based on research in European regions, conclude that population decline

rarely results in economic decline (expressed in GRP per capita). Even so, here too, per capita GRP in the shrinking regions, with the exception of the COROP area of south Limburg, is growing less quickly than the national average.

Policy strategies in current shrinking regions: Combat or manage?

This section addresses whether and how Parkstad Limburg, Eemsdelta and Zeeuws-Vlaanderen have responded to demographic decline in their economic and housing policies, at regional level or otherwise. The discussion is based on the two broadly defined types of policy responses seen in the three shrinking regions; responses relating to *combating shrinkage* or to *managing shrinkage*. In the case of ‘resisting’, municipalities, regions or provinces try to reverse demographic decline by stimulating supply or demand. This type of policy, therefore, attempts to inflate the size of the population and/or the number of households. In the case of ‘managing’, they accept demographic decline and respond by attempting to match supply or demand to the new situation. Again, each type of policy response is discussed separately with relation to the housing market and the economy. Please refer to Chapter 7 of the Dutch report and to Verwest (2011) for more detailed information about the policy responses. In addition to these responses, which are both active responses, it is also possible to ‘do nothing’. Some, including Verkade (2009), are of the opinion that the housing market and the economy will adjust themselves through market mechanisms and that spatial, economic and housing market policy responses are unnecessary. However, PBL believes action is necessary, because in those areas in which rapid, extensive and structural decline is taking place – such as in the three shrinking regions studied here – the problems associated with the transition are large and will not solve themselves, for reasons such as market failures and negative external effects (e.g. see Van Dam et al., 2006; Dander, 2007; Glock and Häussermann, 2004; Kitchen, 2003; Klouwen, 2010; Verwest et al., 2008). A smaller population, fewer households and a smaller potential labour force do not necessarily present a problem, but the transition from one situation to the other can be difficult. This is particularly so in the case of rapid, extensive and long-lasting shrinkage in several neighbouring municipalities at the same time, and if municipalities fail to come up with a timely response.

Housing market

Six policy strategies can be discerned in the housing policies implemented in the three shrinking regions, of which four can be seen as an attempt to combat shrinkage and two as responses that aim to manage it. It is evident that municipalities that are faced with negative population or household growth often first come up with strategies that aim to combat the decline. Strategies focusing on managing shrinkage are usually only applied at a later stage, and are seen less often. Examples of such strategies can be seen in Parkstad Limburg and Delfzijl (and Eemsdelta), which is not surprising, given that these are the areas in which shrinkage first took place and has been most extreme (Verwest et al., 2008; Chapter 7 of the Dutch report).

Combating shrinkage

One of the first strategies implemented by municipalities is to expand the housing supply to stimulate demand. Such a policy is based on the assumption that increasing the capacity of the housing stock will automatically attract new residents. Although municipalities in Parkstad Limburg now implement a different (joint) policy strategy (see the section on ‘Managing Shrinkage’), they followed this strategy for many years. The housing policy of the municipality of Sluis in Zeeuws-Vlaanderen still focuses on increasing the capacity of the housing stock. A second strategy is for municipalities to attract new target groups through new housing concepts and thus increase the demand for housing. One of the ways in which municipalities do this is by developing luxury, exclusive residential areas and by selling plots of land for private use, and also by emphasising certain qualities of the surroundings, such as peace and open and green spaces, in their promotional material. They often focus on the affluent Randstad residents or retirees. Examples of this approach are *Blauwestad* in the municipality of Oldambt (east Groningen) and *Veerhaven-Perkpolder* in the municipality of Hulst (Zeeuws-Vlaanderen). A third strategy is to carry out marketing campaigns to attract new residents. This sometimes happens at a regional level, such as in Zeeuws-Vlaanderen and Parkstad Limburg, where the local authorities, together with the business community, have set up special organisations to improve the image of the region as a place to live and work. Examples are the task force *Uw Nieuwe Toekomst* (Your New Future) and the Maastricht Region Branding Foundation. Both organisations have launched websites that include information about living and working in the region and the local amenities (see www.uwnieuwetoekomst.nl and www.zuidlimburg.nl). The municipality of Delfzijl has also begun a campaign to improve its image as a place to live, under the motto ‘Real stars live in Delfzijl’. Zeeuws-Vlaanderen also promotes itself at the annual Emigration Expo, mainly to attract people from the Randstad and the province of North Brabant. Furthermore, the Zeeland housing association publishes a quarterly magazine called *De Zilt* as a supplement to the national newspaper *De Volkskrant*. South Limburg also advertises in various newspapers.

Finally, municipalities try to attract new or ‘part-time’ residents by relaxing the regulations governing the use of houses. This means, for example, that empty houses may be used as second homes, or that an agricultural building may be used as a residential or commercial property (Chapter 6 of the Dutch report). Until recently, this strategy was not often

applied, as many municipalities were afraid that it would have a negative effect on the amenities available in the municipality.

Managing shrinkage

A strategy to manage shrinkage is that of moderating plans to build new homes, possibly on a regional level. For example, the municipalities in Parkstad Limburg decided in 2006 to coordinate their plans for new housing development (Parkstad Limburg, 2006), due to an oversupply of development plans. Together with housing associations and property developers, the municipalities made an inventory of the new housing plans and subsequently drew up new agreements stating the number of new houses to be built and their distribution over the region (Parkstad Limburg, 2007). The municipalities in Eemsdelta also recently coordinated their new housing development plans, on a regional level, thus also reducing the number of plans (Gemeente Appingedam et al., 2009).

A second strategy is that of making changes to the housing stock through demolition and redevelopment. In both Parkstad Limburg and Eemsdelta, regional agreements have been made regarding demolition and redevelopment plans (Parkstad Limburg, 2009a; Gemeente Appingedam et al., 2009). This represents an attempt to reduce the housing stock and to match it to the reduced demand, thus preventing properties from becoming or remaining unoccupied. This applies to individual properties, flats or blocks of flats, or complete residential areas, as is the case in Delfzijl. Here, redevelopment focused not just on reducing the housing stock, but on increasing the quality of the housing stock by adding new types of houses and larger houses, as well as on improving the surroundings by introducing more green spaces. For example, flats can be replaced with houses (as in Delfzijl) or parks (for which there are plans in Kerkrade), and terraced houses can be transformed into gardens or car ports (as in the municipality of Oldambt).

Regional economy

Other than for housing policy, few strategies explicitly related to demographic decline can be discerned in the economic policies implemented in the three shrinking regions. With a few exceptions, neither municipalities nor provinces pay particular attention to demographic decline in their labour market, spatial-economic or trade retail policies, nor do they formulate any specific strategies. This does not mean that economic strategies have not been developed in these regions, but there is no explicit intention to remove or soften the negative effects of shrinkage. Of the five exceptions, two can be seen as attempts to combat shrinkage, and the three other strategies can be grouped under the heading 'managing shrinkage'. Striking fact, as far as the exceptions are concerned, is that it is mainly the province of Zeeland and the municipalities in Zeeuws-Vlaanderen that have formulated economic strategies in response to demographic decline. Primarily housing market strategies have been formulated in the other shrinking regions.

Combating shrinkage

Faced with shrinkage, one of the first strategies of municipalities is to try to attract people through marketing campaigns to increase the labour supply, sometimes in cooperation with the business community or on a regional level. One of the assumptions on which such a strategy is based is that people will relocate to areas with a large potential labour force; in other words, work follows housing. These municipalities also assume that economic growth relies on demographic growth. They try to achieve this mainly through their housing policies and by investing in the existing housing stock and the quality of the surroundings. The previously mentioned marketing campaigns (see the section on 'Housing market'), such as those of Zeeuws-Vlaanderen and Parkstad Limburg, promote housing, cultural as well as employment opportunities in the region. Employment opportunities are promoted in the belief that newcomers are attracted not only by the houses that are available, but also by employment opportunities. Therefore, it can be said that housing also follows work. The campaigns are mainly aimed at attracting higher educated people, preferably with a partner and family, either from the Netherlands or from neighbouring countries (Germany and Belgium).

A second strategy focuses on increasing the labour supply in specific sectors, in particular the healthcare sector. In this way, municipalities and provinces try to mitigate a possible shortage in the potential labour force in the healthcare sector (due to a combination of a decrease in the number of young people and the ageing of the population), and therefore the increasing demand for healthcare. They often do this together with the business community and educational establishments. Whether this strategy belongs to the category 'combat shrinkage' or 'manage shrinkage' depends on the effects of the initiatives. For example, Parkstad Limburg, in cooperation with knowledge and healthcare institutes, has established a Care Academy to help meet an expected staff shortage of 17,000 people for the 2008–2018 period (Provincie Limburg, 2008). This strategy can be seen as an attempt to manage shrinkage, as it anticipates future demographic developments. However, if the aim of the initiative is to offer training to attract workers from outside the region, then it falls under the category 'combat shrinkage'. The province of Groningen has also noted problems in the healthcare sector, to which it is trying to find solutions through the INTERREG DC NOISE project, in which various healthcare establishments in east Groningen work together on the selection and training of their staff. If this initiative aims to attract employees from outside the region, it falls under 'combat shrinkage'. If, however, it aims to educate the regional labour force so that supply better matches demand, then it is a strategy for managing shrinkage.

Managing shrinkage

One strategy that focuses on managing shrinkage is the aim to increase labour participation and productivity. The provinces of Limburg and Zeeland, in particular, highlight the importance of this as a response to the ongoing decrease in the potential labour force. The province of Zeeland (2009a), in its current social-economic policy, focuses on increasing the labour participation of women and of people over the age of 65 in particular, and on improving labour productivity through innovation, so that more can be produced with fewer workers. A second strategy is to adapt and coordinate the business location programme on a regional level. Only in the province of Zeeland is this explicitly related to demographic decline, the idea being that shrinkage affects demand for business locations and makes their redevelopment more difficult (Provincie Zeeland, 2008). The province of Zeeland is also the only province with a prediction of the need for new business locations that is no higher than the highest scenario in the *Bedrijfslocatiemonitor* (Renes et al., 2009: 90).

Finally, some municipalities focus on changes to the size of the total commercial area. In 2002, for example, the municipality of Delfzijl decided to maintain the total shop floor area in the municipality rather than attempt to expand it (Gemeente Delfzijl, 2002). Regional agreements have also recently been made in Eemsdelta for the redevelopment and spatial concentration of commercial areas (Colleges van B&W [*municipal executive board*] Appingedam and Delfzijl, 2009). This is being considered in Parkstad Limburg, but has not yet led to any change in the regional retail trade policy^{ix}.

Other economic strategies

As previously mentioned, municipalities in the three shrinking regions have developed a number of other economic strategies that are not explicitly related to demographic decline, sometimes on regional levels. For example, a development company is active in all three shrinking regions and works together with the municipalities to carry out their acquisition policy to attract new businesses to the region. Municipalities also try to make agreements regarding the clustering of certain activities at particular locations. Both the province of Zeeland and the other shrinking regions are coordinating their business location programmes on a regional level. Cross-border business locations are also being built (such as Avantis in Heerlen) and attempts are being made to improve cooperation between business locations through joint estate management or by encouraging companies to make use of each other's waste products. Municipalities are also trying to stimulate the development of new economic sectors to strengthen their economic structure – tourism and recreation being popular sectors. For example, the province of Zeeland is actively involved in the project *De Waterdunen* in Breskens in Zeeuws-Vlaanderen. This is a recreation and nature project that includes 400 holiday homes and natural coastal defences. The province recently drew up a land-use plan and an exploitation plan for the project (Provincie Zeeland, 2010). Parkstad Limburg also emphasises that an added benefit of these sectors is that the labour demand matches the labour force in the region. Finally, there are initiatives that aim to strengthen cooperation between the business community and educational establishments. Examples are the Biocampus in Terneuzen, the training greenhouse in Terneuzen and the Seaports Experience Center in Eemsmond. Such projects attempt to better match supply and demand in the labour market, solve staff shortages in certain sectors and increase young people's interest in certain careers.

As these strategies are not intentionally developed to either combat or manage shrinkage, they are not categorised here as 'shrinkage strategies'. If we were to categorise them as such – given that they can affect demographic developments and could be implemented as a shrinkage strategy – we would categorise most of these strategies under 'combat shrinkage'. After all, their main aim is to stimulate demand for labour by creating business activities, also based on the idea that people follow jobs: housing follows work.

Figure 6 summarises the policy strategies implemented in Parkstad Limburg, Eemsdelta and Zeeuws-Vlaanderen in response to demographic decline. The previously discussed implicit strategies are also included, shown in italics. The differences between the 'combat shrinkage' and 'manage shrinkage' policy options are of course less clear in practise than is suggested here. For example, housing demolition and redevelopment can be carried out not only to adjust the housing stock to reduced demand (manage shrinkage) but also to stimulate the housing demand, with the aim to attract new residents (combat shrinkage). In the same way, putting together special training programmes not only attracts people from outside the region (combat shrinkage), but can also be used to better match the available potential labour force to demand (manage shrinkage). The line between combat and manage is therefore very fine.

The importance of economic strategies

These policy examples show that few municipalities in the shrinking regions knowingly implement economic strategies in response to demographic decline. This may not seem so surprising at first as, as discussed in the section 'Shrinkage and the regional economy', the relationship between demographic decline and the regional economy is highly complex

and shrinkage currently only seems to directly influence population-related activities and labour-intensive sectors. Furthermore, there are many more social and economic developments that have just as large, if not larger, effects on the regional economy – one striking example being the current economic recession. However, there are several other reasons why, in addition to the direct influence of decline on areas such as the retail trade and the labour market, it would make sense for both current shrinking and anticipating regions to implement economic strategies as well as housing strategies.

First of all, an approach that only focuses on housing is not enough as, other than for example in the Randstad, work does not follow housing in the shrinking regions, but housing follows work. This agrees with findings by De Graaff et al. (2009), who claim that the relationship between housing and work varies per region and economic sector, and that there is no clear relationship between housing and work in the peripheral regions. According to De Graaff et al. (2009: 10), the following applies to the shrinking regions (which are included in the term ‘peripheral regions’), ‘In the peripheral regions in particular, a policy that focuses on population growth, for example through housing, does not automatically result in economic (job) growth. And a policy that focuses on job growth, for example through the development of business locations, leads in these regions to very limited population growth.’

Figure 6
Implemented strategies*

	Resist shrinkage	Manage shrinkage
Housing market	Increase housing stock Allow second homes Allow function change of former farms Strengthen residential image Stimulate new housing concepts	Stimulate demolition and redevelopment Moderate and delay new construction development Regional coordination
Regional economy	Strengthen regional image as place to work, focused on attracting new workers <i>Attract new economic activities through:</i> <i>- acquisition</i> <i>- development of new business locations</i> <i>- development of new concepts for business locations</i> <i>- development of new economic sectors and clusters</i> <i>Expand retail trade plans</i> <i>Expand educational facilities</i>	Stimulate demolition and redevelopment of retail areas Moderate building programmes for commercial areas Spatial concentration of amenities Increase labour participation of women and over the age of 65 Increase labour production by investing in innovation Adapt business location programme and coordinate at regional level <i>Develop new economic sectors that match the competences of the current population</i> <i>Develop specific training courses to better match existing labour supply to demand</i> <i>Regional coordination</i>

* The strategies shown in italics are not implemented with the intention to resist or manage shrinkage.

In second place, demographic developments can indirectly affect the economy and, though not the main reason, can be an additional reason for implementing particular changes in economic policy. A good example of this is the business location policy. By shifting the focus from expansion to redevelopment, it is possible to anticipate any shrinkage-related reduction in demand (see also the section on ‘Shrinkage and the regional economy’; Renes et al., 2009).

In third place, demographic decline can negatively influence the implementation of economic policy or make some policy choices less favourable. An example of the first is the acquisition of new businesses and the redevelopment of business locations; an example of the second is the decision to develop certain economic sectors or attract certain target groups. Shrinkage makes it more difficult to finance redevelopment of business locations as demolition and redevelopment costs are barely covered by revenues from new business locations, or possibly not at all. The decrease in the number of households and the reduced demand for housing also mean that transforming business locations into residential areas is no longer an option in shrinking regions. The decrease in the potential labour force and the effects this can have on the labour market make it more difficult to attract new businesses, which is already difficult as most businesses relocate within their own municipalities (Van Oort et al., 2007).

Finally, economic strategies can influence one of the causes of demographic decline, as negative economic developments can increase emigration (see the text box on ‘Demographic decline, shrinking regions and anticipating regions’). Economic strategies may improve the economic situation in the shrinking regions and therefore reduce emigration. They, however, will not be able to reverse the demographic decline as the decline is not only caused by emigration, but also by natural negative growth (Chapter 6 of the Dutch report), on which economic strategies have little effect.

Manage rather than combat

We have shown how municipalities in the current shrinking regions usually initially implement policies, in particular on housing, to combat shrinkage. We have already addressed the importance of also implementing economic strategies.

This section focuses on the effectiveness of combating shrinkage in the face of current and projected demographic developments. First of all, if we consider the housing strategies implemented we see that these all too often seem to originate from ideas that have little basis in reality, let alone in the projected future situation. For example, many municipalities focus on attracting families, higher-educated people, higher-income groups and retirees from the Randstad. However, even if people living in the Randstad wanted to move, these shrinking regions would not be their first choice. After all, shrinking regions are often located at some distance from large urban agglomerations, making commuting to the Randstad difficult, they are not considered to be particularly beautiful areas and often leave much to be desired as far as the quality of housing and the physical environment are concerned, whether as a place of residence or holiday home (e.g. Visser and Van Dam, 2006; and Chapter 6 of the Dutch report).

Furthermore, shrinking municipalities are almost always overly optimistic about attracting new residents by expanding new housing stock and implementing marketing and new housing concepts (Chapter 6 of the Dutch report). This is due to the competition that has developed; those regions that believe they are the ideal place for people to settle in forget that other regions think, want and do exactly the same. They also forget that an increasing number of municipalities and regions will be faced with shrinkage and that the pond in which they all fish is thus going to get smaller (see Chapter 1 of the Dutch report).

In fact, combating demographic decline through housing policy may even reinforce competition, not only between, but also within, regions. This may in turn result in spatial overinvestment and vacancies (Van Dam et al., 2006; Verwest et al., 2008). In practice, municipalities in shrinking regions primarily attract people from within the region rather than from other regions. This strategy may therefore benefit an individual municipality in a region, but the additional housing capacity in one area will almost always lead to further shrinkage elsewhere in the region and, therefore, exacerbate the problems associated with shrinkage, including vacancies, longer sale times, lower sale prices and the concentration of lower income groups. This is already the case in Parkstad Limburg and Eemsdelta (e.g. Verwest et al., 2008 and Chapter 7 of the Dutch report). These findings are confirmed by research carried out by Buys and Van Iersel (2008) and Van Wissen (2009). Both studies show that the main result of increasing housing development in municipalities in shrinking regions is a high level of relocation within the region and not an influx of new residents from elsewhere. They also conclude that new housing developments cannot prevent population decline.

Finally, practice shows that a housing policy that combats shrinkage is ineffective and more likely to aggravate the problem than solve it. After all, shrinkage has increased rather than decreased in the municipalities in the three shrinking regions that have followed this strategy. The problems on the housing market are also worse in these areas compared with the rest of the Netherlands. For example, the proportion of rented social housing that has remained vacant for more than three months and is not earmarked for demolition (so-called market vacancy) is higher than the national average in Parkstad Limburg and Zeeuws-Vlaanderen (Buitelaar et al., 2009). Also, the average house price in Parkstad Limburg, Eemsdelta and Zeeuws-Vlaanderen is far below the national average and the sale times far above (Verwest et al., 2008; see also the section on 'Possible effects of demographic decline'). Furthermore, various studies show that if municipalities in shrinking regions do not adapt their housing policy, the decrease in the number of households becomes worse rather than improves, vacancies increase significantly and housing prices drop dramatically (e.g. Companen, 2009a,b; Ecorys, 2009; Francke, 2010; Poulus, 2007; Rosenberg et al., 2010).

Spatial-economic strategies that focus on combating shrinkage face similar problems. If municipalities focus their strategies on attracting new businesses in the belief that houses will follow work, it is possible that expectations will be too high and not match the demographic and spatial-economic reality. As noted by Van Oort et al. (2007), only a very small proportion of business relocations are outside the local area. Therefore, here too, municipal policy will result mainly in interregional or intraregional competition and may lead to unprofitable spatial investments or careless use of space, vacancies and high interest charges for municipalities.

Intraregional competition could also increase if all municipalities in the shrinking regions were to expand their retail trade plans in the belief that they could increase the attractiveness of their municipality by increasing the amenities available, as they would be competing for the same retailers. Research conducted by Companen (2009a,b) and Ecorys (2009) in Eemsdelta also shows that if municipalities continue with their current policy regarding amenities (and housing), rather than adapting them, the decrease in the number of households becomes stronger and the value of commercial property decreases. Various studies also show that people, generally, do not base a decision to move on the amenities available (Thissen, 2010; Visser and Van Dam, 2006; Van der Wouw, 2009).

Finally, it would also seem difficult, given the current and projected demographic developments, to develop a strategy that focuses on increasing the potential labour force (combating shrinkage). As described in 'Demographic decline in the near future', almost every Dutch municipality will experience a decrease in the potential labour force between 2008 and 2040, which in 2010 had already decreased in 24 of the 40 COROP areas (see also Chapter 2 of the Dutch report).

To summarise, it would make more sense for municipalities in shrinking regions to focus their economic and housing policies on managing the shrinkage process, rather than combating it. Not only is this a better response to the

demographic and spatial reality, but it also prevents intraregional competition for the same residents and companies, unprofitable investment and vacancies. It would also make sense for municipalities to formulate strategies that focus on managing shrinkage on a regional level. This means coordinating their construction, demolition and redevelopment plans for housing, retail and business locations. If the anticipating regions are able to respond to demographic decline in time and coordinate their programmes on a regional level, it may be possible to prevent, or at least limit, the kinds of problems seen in the current shrinking regions.

Implementation issues in the transition from combating to managing shrinkage

Experiences in the current shrinking regions show that the policy transition from combating to managing shrinkage can be a difficult process, for municipalities as well as semi-private and public organisations and the business community. It can be particularly difficult if the parties involved want to make the transition on a regional level. Five closely interwoven implementation issues relating to this transition can be identified in the current shrinking regions (e.g. Verwest et al., 2008; Verwest (2011);). Here, the focus is on the housing market, as the transition from combating to managing shrinkage to date has barely been addressed in economic strategies.

Problem perception and current conceptual framework

One implementation problem is that the current problem perception and corresponding conceptual framework is still focused on growth. When local government officials are confronted with demographic decline, they tend to either ignore it or view it as a temporary and reversible problem. On a regional level, furthermore, the government officials involved have no shared perception of the problem. This is a particular issue in regions with large demographic and spatial differences between municipalities. If the least attractive housing stock is mainly found in a single municipality, the government officials in this municipality are more likely to regard demographic decline as a structural and irreversible problem than their colleagues elsewhere in the region. After all, the effects of shrinkage, such as vacancies and longer sale times, are seen first and foremost in their municipality. The lack of a shared problem perception can hinder the regional coordination of housing programmes.

Current action patterns

In second place, the transition is hindered by the action patterns of those involved, which, similar to their conceptual framework, are mainly focused on stimulating or accommodating growth. The parties involved would rather not be associated with shrinkage because of the negative connotations, as they are worried that shrinkage will damage their status and be seen as an administrative failure (Van Dam et al., 2006). This belief is also fed by the fear that demographic decline leads to economic decline and a downward spiral (see also Chapters 7 and 8 of the Dutch report). The fear of 'self-fulfilling prophecies' ultimately prevents local government officials from anticipating demographic decline and adapting their policies accordingly.

Coordination issues can also affect the actions taken by government officials and hinder the transition process, particularly if coordination is required on a regional level. For example, local government officials are wary of moderating their housing programmes as they worry that neighbouring municipalities may not stick to regional agreements. Such a fear of free-riding is also found at housing associations (Verwest et al., 2008).

Lack of resources (funding and knowledge)

Thirdly, the current level of financial resources available to municipalities is barely sufficient to manage shrinkage, and the financial tools that are available are mainly focused on stimulating growth (Allers and Zeilstra, 2009; Van Dam et al., 2006; ROB/RfV, 2008; Verwest et al., 2008). This applies to revenues from the municipal funds (*Gemeentefonds*), which partly depend on the number of residents, as well as revenues from specific funding bodies, such as location-related subsidies (*Besluit Locatiegebonden Subsidies*), which decrease if municipalities reduce their new housing plans and shift the focus to redevelopment and demolition. Although it is appropriate and logical that smaller municipalities receive a lower income from the municipal fund (see e.g. ROB/RfV, 2008), a decrease in revenue from this fund may result in temporary problems for these municipalities as they make the transition from growth to shrinkage, because costs do not decrease at the same rate.

The expected decrease in revenue from land development can also make it difficult for municipalities to moderate their land-use plans. This also applies to the region as a whole; regional coordination of new housing plans is already difficult in growth areas, but even more so in shrinking areas. This is because it is no longer about sharing growth and extra revenues from new development, but about sharing shrinkage and the loss of revenue associated with moderating the plans (Verwest et al., 2008). Furthermore, in addition to a fall in revenue, there is often also an increase in costs.

Demolition and redevelopment are expensive, and in shrinking areas can no longer be funded by revenues from land distribution and new developments as they were before (see Chapter 7 of the Dutch report).

In addition to a lack of financial resources, municipalities also often lack knowledge about demographic decline and its spatial effects, policy options and the advantages and disadvantages of policy alternatives. This is one of the reasons why government officials maintain their current, trusted growth-based conceptual framework and action patterns.

Regulations

The fourth problem is that the municipal procedures and laws currently in place hinder the transition from combating to managing shrinkage. Examples are rights of ownership that hinder demolition and redevelopment, in particular in the case of fragmented ownership, already-issued building permits and the fear of damage claims which hinders the moderation of new housing plans.

On a regional level, it is in fact the lack of formal procedures that is a problem. This ‘regional gap’, and therefore the lack of financial and legal instruments to hold municipalities to the agreements made, may also present a problem. For example, even the urban region status (*Wgr-plus*) assigned to Parkstad Limburg under the Joint Arrangements Act (*Wet gemeenschappelijke regelingen*) provides the parties involved with insufficient security to develop, let alone implement, strategies such as moderating new housing plans. Here too, there is a lack of instruments available to penalise parties that do not adhere to the existing agreements.

Higher level administrative policies focus on growth

Finally, the current national institutional context prevents local government officials from making the transition. Municipalities that want to focus more on managing shrinkage, whether or not on a regional level, have to deal with the existing conceptual framework, action patterns, financial resources and national procedures and regulations. In short, a national policy that still primarily focuses on stimulating and accommodating growth and on the agreements between national government and the provinces, the urban regions and the municipalities. This not only hinders the development of policy strategies on a local level, but also their implementation. The same applies to provincial policy, although the provinces in which the current shrinking regions are located are aware of this and are taking action (see the section on ‘Solution strategies in the transition from combating to managing and anticipating shrinkage’).

The implementation problems related to housing market policy as outlined here will probably also be seen when municipalities in the current shrinking regions decide to implement economic strategies that focus on managing rather than combating demographic decline. The redevelopment of retail locations will also be difficult to finance, and the lack of financing will also hinder the redevelopment of business locations (Verwest and Van Dam, 2010).

The main problems that hinder a response to demographic decline in the anticipating regions are the current conceptual framework, the imbedded action patterns and the lack of knowledge. If municipalities in these regions give a timely response to demographic decline in their housing and economic policies, some implementation problems, such as the lack of financial resources, can be reduced. Timely intervention reduces the size of the transformation challenge and the corresponding transition costs. As a result, timely intervention in the anticipating regions will result in fewer or less severe implementation problems.

Solution strategies in the transition from combating to managing and anticipating shrinkage

Having made an inventory of the implementation problems that can hinder the transition from combating to managing decline in the shrinking regions, we here explore some possible solution strategies. This is done partly based on some strategies already implemented in current shrinking regions, and partly based on suggestions for new policies or improvements to existing policies. The aim is to make it easier to anticipate future demographic decline in the current shrinking and anticipating regions. We have concentrated on the housing market, as there is an almost complete lack of problem perception in the economic field. However, based on the suggestions for the housing market, economic policy is briefly addressed at the end of this section.

New problem perception and new conceptual framework

The shift in the perception of shrinkage from a temporary and reversible local problem to a structural and irreversible problem requires a new conceptual framework – a paradigm shift that focuses on planning for shrinkage (see also Goedvolk and Korsten, 2008; Hinssen and Derks, 2008; Haarts and Venhorst, 2010). This new conceptual framework in turn requires greater awareness among local and provincial government officials. An important contribution could be made in this respect if the municipalities and the provinces were to initiate their own research, and if use was made of

regional forecasts and scenario studies. As far as housing is concerned, such awareness is growing in Parkstad Limburg and Eemdelta. Here, local government officials have reached agreement on a regional level regarding moderations to be made to new construction development plans and the redevelopment and demolition programme. Carrying out joint quantitative research has made an important contribution in these regions to the creation of a shared problem perception. For example, two research projects have been carried out in Parkstad Limburg within the theme 'Shrinkage as Opportunity', involving national government, the province, the municipalities, housing associations and property developers (see Gerrichhauzen and Dogterom, 2007; Parkstad Limburg, 2010a). Future demographic developments, spatial effects, strategies and solutions to implementation problems were investigated in these projects. The new development plans were also reviewed and compared with projections. Various research projects have also been carried out in Eemdelta at the request of province and municipalities (e.g. see Bureau Pau, 2007; Louter and Van Eikeren, 2007; Poulus, 2007; Provincie Groningen, 2009), as well as a number of scenario studies (Companen, 2009a; Ecorys, 2009).

In Zeeuws-Vlaanderen, however, no new problem perception has yet developed, although various attempts have been made to increase awareness of the problem in the municipalities, often at the initiative of the province. The exploratory study carried out by the province of Zeeland (Provincie Zeeland, 2008) detailing the challenges the province faces as a result of demographic changes, is one example. Another example is the *Nieuw!Zeeland* debate organised by the province together with Scoop, the Zeeland institute for healthcare, welfare and culture.

On a national level, the Dutch Government and organisations such as VNG, IPO, the Royal Institute of Dutch Architects, the housing association trade organisation Aedes and the urban redevelopment centre of expertise KEI are also trying to raise awareness among local government officials about demographic decline. Examples are the appointment of a top team on shrinkage (*Topteam Krimp*) (Dijkstal and Mans, 2009a,b,c) and a national network for population decline (*Nationaal Netwerk Bevolkingsafname*), research programmes (Groen et al., 2009; Louter et al., 2009; Rosenberg et al., 2009; VROM et al., 2009), conferences (e.g. VROM and BZK, 2009), chat sessions, design workshops (BNA, 2008; 2009), shrinkage battles (VNG, 2009) and guided tours to shrinking areas.

In addition to such initiatives, transition maps can also help raise awareness of shrinkage among government officials in the anticipating regions. These transition maps show that shrinkage will begin much earlier in many regions than is projected by most forecasts (see also the section on 'Demographic decline in the near future' and Chapter 2 of the Dutch report).

New action patterns and new coalitions

Knowledge, new coalitions and regional cooperation are crucially important for bringing about new action and interaction patterns between local government officials, and for preventing coordination problems on a regional level. Making use of available knowledge or carrying out new research can remove the fear of 'self-fulfilling prophecies' and correct policy assumptions that do not match spatial reality but that are nonetheless used by local government officials on which to base their actions. A good example is the research project on liveability in the municipality of Sluis, carried out by Scoop for the province of Zeeland. The research concluded that the quality of life in an urban centre with fewer amenities, contrary to what most people think, is not experienced as being less than that in towns with more amenities (Van der Wouw et al., 2009). Another good example is the province of Zeeland's *Op Pad!* Policy Document (Provincie Zeeland, 2009b), which lists the action patterns that hinder the anticipation of demographic decline, as well as solutions to change these patterns. Knowledge about the possible consequences of not changing interaction patterns and therefore current policy can also help prevent free-riding and the fear of free-riding. Scenario studies for Eemdelta (Companen, 2009a; Ecorys, 2009) and a study carried out by the province of Groningen (Provincie Groningen, 2009) show that continuing current policy can increase the severity and the cost of shrinkage. These kinds of knowledge initiatives can also be used to convince private and semi-private parties, as well as municipalities, to change their strategies.

New actors or coalitions can also help solve coordination problems. For example, new, authoritative actors – such as mayors, executive councillors or those from outside the regions, such as the Shrinkage Team mentioned above – can encourage local parties to change their patterns of action or attempt to achieve regional cooperation. Tackling coordination problems on a regional level can also help form new coalitions, by extending partnerships and involving not just government organisations, but also public organisations and the business community, in the development of regional housing visions. This was the case, for example, in Parkstad Limburg during the development of the regional housing vision. It should be noted however that it will not always be easy to find partners and form new coalitions in shrinking regions, as other parties may feel they have little to gain. After all, the result of demographic decline is that parties such as housing associations and property developers see their revenues fall.

On a municipal level or even down to neighbourhood level, the municipality has a role to play in finding solutions to coordination problems (such as the prisoner's dilemma) between private or semi-public parties; for example, if these problems hinder the redevelopment and demolition of existing housing stock. The municipality, for example, may

encourage housing associations to exchange their properties to make it clearer which parties own the most properties in the various neighbourhoods. This can also solve the previously mentioned free-rider problem, where each housing association waits for any of the others to initiate redevelopment.

New resources (finance and knowledge)

The necessity of increasing the knowledge level of government officials has been addressed in the previous two sections. As discussed, several initiatives have already been taken in shrinking regions to increase this knowledge level. Most of the research results are available on the website of the shrinkage forum (*Kennisplein Krimp*), a joint initiative of the provinces of Zeeland, Groningen and Limburg, the Ministry of BZK and the knowledge institute Neimed (see www.vanmeernaarbeter.nl). Such information can help government officials in the current shrinking regions and the anticipating regions to increase their knowledge about demographic decline, its effects and the strategies to be taken, and to smooth the transition from combating to managing and anticipating shrinkage.

Although the current shrinking regions are desperately searching for the new financial resources required to make the transition, the solution has not yet been found. The shrinking regions have named the following as possible financial solution strategies for financing the required redevelopment and demolition: municipal or regional demolition funds, regional settlement, public-private partnerships, increased property taxes and the introduction of leasehold (see Verwest et al., 2008). The last two options, introducing land lease and increasing property tax, do not seem very promising, as buyers in a relaxed housing market are more likely to buy a house without leasehold than one with, and a higher property tax can also deter buyers. In addition, any extra revenue from the property tax would be partly subtracted from the money received from the municipal fund (ROB/RFV, 2008).

As far as the public-private partnerships option is concerned, experiences in Delfzijl, where this kind of structure was developed for the redevelopment of north Delfzijl, show that it can be difficult for municipalities in the current shrinking regions to find partners. This is because the other parties do not stand to benefit much, and are therefore not exactly queuing up to take part. Municipalities in shrinking regions need to take care that they do not take on too high a financial risk when attempting to involve private parties in redevelopment projects. If they do, they also run the risk that private parties have too little incentive to invest in the short term and to act efficiently and effectively, which can delay the project or even prevent it from happening at all. When looking for partners, it would therefore make more sense to remind private and semi-private parties of their responsibility and the advantages to be gained from such a partnership, and to share the risk equally.

Although regional settlement or the introduction of a regional demolition fund would seem to be sensible solution strategies, they have not yet been applied in the shrinking regions. Regional settlement means that some of the profits from the development of, for example, expensive private homes in attractive areas in the region, are used to compensate deficits in other areas. A regional demolition fund means requiring property developers to pay a certain amount into a fund for every new home that they build, to be used later to pay for demolition or redevelopment in other areas in the municipality or region. Settlement and demolition funds can also be implemented at the municipal level, but the chance of this happening is small as municipalities are often wary of placing restrictions on property developers. After all, they do not want to make the investment climate, already under pressure in shrinking areas due to the low profit margins on new construction developments, even more unattractive (Verwest et al., 2008). However, it will also be difficult to establish such instruments on a regional level. The new Dutch Spatial Planning Act, including the Land Development Act, provides municipalities and provinces with opportunities for settlement within an inter-municipal land development area, and for regional settlement between development areas. However, settlement within and between areas can only be exacted from a property developer if the developer is liable for the costs. If this is not the case, settlement can only take place on a voluntary basis, under private law. However, as elsewhere in the Netherlands, the development of regional land policy is a fairly difficult process in the current shrinking regions. The profit margins for new construction development are low, so that there is little to be settled (Verwest et al., 2008). This applies both at municipal and regional levels. Furthermore, the question remains whether there are sufficient growth areas in the current shrinking regions, and therefore whether there is sufficient money to be made to make regional settlement possible. If not, settlement will need to take place at a higher (provincial or national) level. Such problems may also apply to a regional demolition fund in the current shrinking regions. There are however more options in the anticipating regions, as these still have growth municipalities with development potential. The question here however is whether these growth municipalities will be prepared to take part in regional settlement or a regional demolition fund and if they will recognise the value and necessity of such instruments.

Whichever solution strategy is finally chosen, it is important that the financial agreements are clear and that they are included in the joint development plans. If anticipating regions plan for future demographic developments in time in their housing plans by adjusting the quantity and the quality of their housing stock, the transformation challenge and its costs could be limited. As a result, the transformation challenge and financial problems in anticipating regions will be less than those experienced in the current shrinking regions, and can more easily be solved on a local level.

Finally, not only the municipalities and provinces in the shrinking regions are looking for financial solutions to the problems that they face in these areas; also other parties such as project developers, housing associations, private home-owners, estate agents, investors and financial organisations are doing the same. A similar situation will be seen in the anticipating regions. Government organisations are in a position to bring these parties together and to seek financial solutions together with them. This will prevent other operators in the housing market – who tend to look for solutions that stimulate demand or reduce their stock and risk – from stabilising and/or increasing the regional housing stock rather than decreasing it; the sale of rental homes by housing associations being an example. Looking together for financial solutions that focus on matching the existing stock to a lower housing demand is an option. However, it is important that the parties understand each others' financial positions and the constraints regarding the transition to managing shrinkage. Parties often mistrust one another and assume that 'the others' have more than their actual reserves.

Better use of existing regulations

Municipalities in the current shrinking and anticipating regions can make use of existing regulations to impose strategies that focus on managing shrinkage, such as redevelopment, demolition and the moderation of new development plans, and so limit the transformation challenge. Provinces can also use these regulations to help solve coordination problems that may arise between municipalities working together on the issues of new construction development on a regional level (see also Verwest et al., 2008). As far as the use of current procedures and laws is concerned, municipalities can apply Article 3.5 from the new Dutch Spatial Planning Act to maintain and improve the quality of the existing privately owned housing stock. This article makes it possible to include an obligation to modernise and replace existing buildings in a land-use plan. This can be used to encourage private owners to improve on their home maintenance, which may reduce the need for redevelopment at a later stage.

Furthermore, municipalities can try to prevent housing associations from selling their housing stock in areas that will soon require redevelopment, or from developing other constructions such as a mixture of private and rental property. Municipalities can do so via performance agreements made with the housing associations. Such performance agreements can be particularly useful as far as the first option is concerned, as many housing associations in shrinking regions face decreasing revenues and are therefore tempted to sell off the least valuable part of their stock. Performance agreements can help prevent fragmented ownership, which hinders redevelopment. Such performance agreements, however, must be focused on results. Just under half of the municipalities in the Netherlands currently have drawn up performance agreements, and these mainly concern process agreements and effort commitments (Severijn, 2007). To be able to come to result-oriented agreements, it is necessary to work on a reciprocal basis; both parties must have something to offer. Municipalities, for example, can help housing associations with land ownership issues, in compliance with European public aid regulations, in exchange for not selling housing in areas that will soon require redevelopment. If ownership is fragmented and private home-owners are unprepared or unable to redevelop their properties in accordance with the land-use plan, municipalities, as a last resort, could expropriate the property to make it possible to redevelop the areas.

Finally, municipalities can repeal building permits to moderate new development plans. This is only useful if the land-use plans are also moderated, as it will otherwise not be possible to withhold consent for new building permit applications. One disadvantage of this course of action is that the municipalities will also be responsible for the costs involved in making changes to the land-use plan.

Provinces can also make use of their legal powers to coordinate regional cooperation between municipalities as far as new development plans are concerned. On the basis of regulations on integration plans, project decisions, instructions or ordinances not only help to make sure that municipalities make regional housing agreements that include moderated housing plans, but also that they carry them out, to prevent free-riding. The urban region Parkstad Limburg has requested that the province draw up a provincial ordinance that includes the regional housing agreements. The province, to date, has not agreed to do so, as it does not believe that working with provincial ordinances fits in with its current governance philosophy. The province of Limburg chooses to implement its spatial policy through governance agreements with municipalities and, in doing so, it is the only province together with Flevoland that does not have a provincial ordinance, either in definitive form or in draft stage. The advantage of an ordinance is that the regulations it contains must be included in land-use plans. If municipalities do not do this, the province can enforce an instruction based on the ordinance. Most provinces expect that such an instruction cannot be given on the basis of a governance agreement, but only on the basis of an ordinance. The province of Groningen, for example, recently successfully enforced an instruction when the city of Groningen failed to adhere to the ordinance regulations regarding the height of radio masts.

Greater focus on shrinkage at higher administrative levels

To be able to make the transition from combating to managing shrinkage on local or regional levels, policy changes are also required on national and provincial levels. Despite the current focus on shrinkage, policies still focus too strongly on stimulating and enabling growth.

National government and the provinces can help municipalities in shrinking and anticipating regions to anticipate and manage shrinkage by increasing the awareness of the issue among local government officials. National government has also taken several initiatives, such as the previously mentioned action plan *Krimpen met kwaliteit* (BZK et al., 2009) and the programme *Krachtig Bestuur* (powerful governance), in which attention is also paid to shrinkage. National government, in particular the former ministries of Housing, Spatial Planning and the Environment (VROM) and BZK, have commissioned various studies into the subject⁸, although these have focused primarily on the housing market and not the economy. On provincial level, the province of Limburg set up the Deetman Committee in 2009 to investigate whether provincial policy would need to be amended as a result of the effects of shrinkage (Commissie Deetman, 2010). Further efforts by the provinces have mainly focused on improving knowledge of demographic decline and its effects, increasing awareness among municipalities and ensuring the topic receives attention on national level (see Chapter 7 of the Dutch report).

National government and the provinces can also support municipalities by removing obstacles in the transition from combating to managing shrinkage, such as by providing financial resources. National government has already taken some steps in this direction. For example, the former Minister of Housing, Communities and Integration, Eberhard van der Laan, and State Secretary Bijleveld of BZK allocated 31 million euros to support Parkstad Limburg, north-eastern Groningen and Zeeland in the transition necessary in these areas (Tweede Kamer, 2010a). They also decided to include a shrinkage measure in the municipal funds so that, from 2011 onwards, municipalities experiencing shrinkage will be eligible for an extra subsidy from the fund (BZK, 2010). The new cabinet also indicated in its coalition agreement that it will continue to focus on the shrinking regions, but whether and how it will support this financially is as yet unclear (VVD and CDA, 2010). The new cabinet plans in any case to abolish the *Vogelaarheffing* (in which all housing associations pay into a fund for associations in deprived neighbourhoods) and the location-related subsidies decree (*Besluit locatiegebonden subsidies*; BLS). Abolishing the *Vogelaarheffing* would be financially beneficial for housing associations in the current shrinking regions as it would mean that they would no longer have to pay for deprived neighbourhoods in growth areas and could instead invest this money in making improvements to their own housing stock. The abolition of the BLS removes a subsidy that has encouraged growth-focused activities.

Finally, national government can partly remove the incongruence between local and national policy by paying more attention to the regional diversity in population developments in its policies and policy tools. For example, changes could be made to planning concepts, housing policy, structure visions or an Order in Council for spatial development as a response to shrinkage. This would make it easier to make changes on a local level. The provinces should also pay more attention to demographic decline in their policies. Although they encourage municipalities to do so, often they have not yet changed their own policies.

Greater focus on economic policy

Little attention as yet has been paid to shrinkage in relation to the economy in the current shrinking regions, where it is not even seen as a problem; there is a lack of problem perception. It is therefore not surprising that few knowledge initiatives have been taken to increase the awareness of shrinkage with relation to the economy either on local, provincial or national level, let alone to investigate whether economic strategies could contribute to such awareness. Exceptions are the previously mentioned *Nieuw!Zeeland* debate, which also focuses on shrinkage and the economy, a conference about shrinkage, organised for the business sector by the province of Limburg, research in Zeeland into the effects of shrinkage on the economy and the labour market (Hovens et al., 2009; Provincie Zeeland, 2008) and research into the relationship between shrinkage and amenities (Van der Wouw et al., 2009; Thissen, 2010). On national level, exceptions are the research *Ondernemend met Krimp!* commissioned by the Ministry of Economic Affairs (EZ, 2010) and soon to be published research by the Social and Economic Council of the Netherlands (SER) into the economic opportunities for the shrinking regions and possible responses by the business community.

As far as the economy is concerned, therefore, what is first required is a problem perception and increased awareness of the effects of demographic decline. As previously mentioned, similar implementation problems are expected in relation to the economy as experienced in the housing market. The solution strategies discussed in this section will therefore probably also be of help with relation to the economy.

Policy recommendations

Demographic decline necessitates a policy shift in the current shrinking regions from combating to managing shrinkage, and from a local and sectoral, housing market-focused approach to a regional and integrated, and also economy focused approach. A new conceptual framework is required to be able to make this transition, as well as new action patterns and new coalitions, resources and regulations on national, provincial and local levels. The anticipating regions need to make a transition from reacting to shrinkage to anticipating shrinkage. These regions would be well-advised to respond in time to demographic decline in their regional housing and economic policies, rather than wait until they are confronted with it. This can prevent or limit the problems associated with demographic decline.

Municipalities

Demographic decline has consequences for the housing market and requires a change in housing policy. However, demographic decline also has consequences for the regional labour market and economic activities, and therefore also requires a change of economic policy. Although they have not yet done so, municipalities need to take demographic decline into account in their policies on retail trade, labour market policies, business location policies and spatial-economic policies. They must do this because of the direct and indirect effects of demographic decline on the economy, and vice versa. For example, the decreases in the population, the number of households and the size of the potential labour force have consequences for population-related economic activities, amenities and the labour market. Some economic policy measures can also be complicated by demographic decline. It will be difficult, for example, to redevelop business locations in shrinking areas as it is not possible to turn them into residential areas; after all, there is very little demand for more housing.

Municipalities can anticipate this by choosing a strategy that focuses on both housing and the economy. Municipalities in the existing shrinking regions currently often choose a sectoral approach that focuses on the housing market, but this is rarely sufficient, as work not only follows housing in such regions but, often, housing also follows work. Good quality housing and attractive surroundings are therefore not enough to either bind current residents or attract new ones.

Under the motto 'prevention is better than cure', it would also make sense for municipalities in the current shrinking and anticipating regions to focus, in both their economic and housing market policies, more on managing or anticipating demographic decline than on combating it. After all, experiences in the current shrinking regions show that resistance is fairly ineffective and leads mainly to intraregional competition for the same residents and businesses, unprofitable spatial investments and vacancies.

As far as the housing market is concerned, this implies that municipalities would be better off shifting their focus from expanding the housing stock and stimulating demand towards reducing and transforming the existing housing stock. Economically, it would be advisable to shift attention from expanding retail areas and business locations to their spatial concentration, reduction and redevelopment. Given the projected decrease in the potential labour force, municipalities would also be better off focusing on promoting labour participation and productivity by stimulating innovation, rather than on increasing the size of the potential labour force by attracting new residents.

Both the municipalities and the business community in the shrinking and anticipating regions would therefore be better off focusing on how to do more with fewer people, rather than on how to attract more residents, in particular in the 20 to 65 age group (the potential labour force). With this in mind, municipalities could for example stimulate businesses and knowledge institutes to develop joint education programmes, so that the competences of the available labour force better match current and future labour requirements. Examples are educational programmes in the healthcare and welfare sectors to meet the expected increase in the demand for care as a result of the ageing of the population. Finally, it would make sense for municipalities to stimulate those economic sectors that match the competences of the current potential labour force or that may benefit from the projected demographic changes.

To ensure the transition is made from combating to managing change, it is very important that municipalities in shrinking and anticipating regions formulate and coordinate their strategies on a regional level. This applies to both housing market policy and retail trade and business location policies. Coordinating construction, demolition and redevelopment plans for residential, business and retail areas prevents the previously mentioned intraregional competition for the same residents and businesses, and prevents unprofitable investments and vacancies.

It is also recommended that other parties active in the regional housing market, such as housing associations and property developers, are involved, as well as those related to the regional economy, for example the business community and organisations such as Chambers of Commerce, SME trade organisations and employers' organisations. If the regional approach is to be successful, good financial agreements – for example concerning settlement or a demolition fund – are crucially important. It is also recommended that municipalities put together a joint implementation plan that includes financial agreements when drafting regional visions.

Municipalities, therefore, also need to find solutions on a regional level to the problems they come across when attempting to make this change. Local government officials also need to be more aware of the effects of shrinkage on the housing market and the economy. They also need to make a collaborative effort to look for new regional coalitions and to encourage the relevant parties to abandon practises focused on growth. Pooling resources to develop and experiment with new financial resources and to develop knowledge and make better use of existing regulations can also help remove obstacles.

Finally, it is particularly important that municipalities in the anticipating regions learn from the experiences of the current shrinking regions and anticipate demographic decline in time and adapt their strategies accordingly. This will result in a smaller transformation challenge in these areas compared with the current shrinking regions. As a result, the costs of implementing the transformation will also be less. Acting now may prevent or limit the problems associated with demographic decline.

National government and provinces

The national government and the provinces are in a position to raise awareness of the consequences of demographic decline among local government officials. They can highlight the importance of focusing on demographic decline, not only in housing market policy but also in economic policy, and of anticipating it in time and preferably on a regional level.

The Ministry of Social Affairs and Employment is aware that there will be a reduction in the potential labour force and, therefore, is drawing up measures on a national level in response to this, such as an increase in the retirement age^{xi}. National government has a role to play in increasing awareness of the issue in the municipalities and the business community in the shrinking and anticipating regions^{xii}. The Ministry of Economic Affairs, Agriculture and Innovation can also stimulate municipalities and the business community to adapt their retail trade policy to the changing situation; for example, by moderating ambitious retail trade plans, encouraging a greater focus on redevelopment and demolition, encouraging regional coordination and anticipating future demographic developments in time.

It is also important that the national government and the provinces convince municipalities in the shrinking and anticipating regions that it makes more sense to manage shrinkage than to combat it. They can help the municipalities by removing local obstacles that hinder the transition from combating to managing shrinkage. They can do this by helping in the search for new coalitions, by experimenting with new financial resources, such as regional settlement, a regional demolition fund or public-private partnerships, and by identifying the opportunities provided by existing regulations, including the new Spatial Planning Act, for implementing strategies that focus on managing shrinkage.

The provinces and the (former) Ministries of VROM and BZK are aware that shrinkage can cause problems on a local level and that municipalities require support in order to solve such problems. Their initiatives primarily focus on ensuring that local government officials place shrinkage on their agendas and on emphasising that is no longer considered a temporary, but a permanent issue. This is certainly important in the anticipating regions where such awareness is not yet apparent, and in these regions it would seem to be sufficient. However, obstacles such as regional coordination problems, lack of financial resources and the existing formal regulations play a much greater role in the current shrinking regions. National government and the provinces, therefore, could focus their initiatives more on removing such obstacles. The national government, together with IPO and VNG, has already taken its first steps in this direction with the intergovernmental action plan *Krimpen met kwaliteit*. Resources have also been allocated for the three shrinking regions and several pilot projects put in place in cooperation with, for instance, the SEV (Housing Experiments Steering Group).

Finally, demographic decline also forces national government and the provinces to reformulate their own conceptual framework, patterns of action, financing system, regulations and policy. Despite the increased focus on shrinkage on a national level, in particular by the former Ministries of VROM and BZK, national spatial, economic and housing policies and the associated funding flows generally focus on stimulating or accommodating growth^{xiii}. National government, or at least the Ministries of Infrastructure and the Environment and BZK, do not yet seem to realise that their policies and tools are too generic and mainly focused on stimulating and managing growth, and therefore hinder a transition from combating to managing shrinkage on local and regional levels in the current shrinking regions. For example, the previously mentioned action plan *Krimpen met kwaliteit* may focus on removing obstacles on a local level, but national policy remains largely unchanged.

The new cabinet has now placed the theme of 'demographic decline' on the agenda in its coalition agreement. National government would do well to pay more attention to the regional diversity in population change in its policies and policy tools. For example, economic or housing policies, structural concepts or an Order in Council for spatial development could be revised in response to draft shrinkage plans. The provinces could also pay more attention to demographic decline in their policies. This could go some way towards removing the disparity between local, provincial and national policy and make it easier to make changes on a local level.

Notes

ⁱ Oost-Groningen is also regarded as a shrinking region but is not included in one of the three case studies that are the focus of this report. The three case studies are the same as those in the thesis of Verwest. These case studies are selected based on demographic data for the period between 1995 and 2005 and the 2006 regional population and household projections.

ⁱⁱ The analysis in the section on 'Possible effects of demographic decline' excludes Nuth as the data had already been collated before Nuth became part of the region.

ⁱⁱⁱ The differences are due to the use of different data: PBL uses only PEARL projections, while BZK also makes use of PRIMOS forecasts and data from the provinces. Furthermore, PBL uses the COROP areas, while BZK also defines regions based on existing partnerships.

^{iv} The population and household projections on which the following predictions are based are, however, shrouded in uncertainty at this low spatial scale and due to the forecast period. This is addressed further in Annex 1 of the Dutch report.

^v See Verwest (2011) for a detailed overview of the effects of demographic decline on the housing market and the economy.

^{vi} The data has been updated since Verwest et al. (2008).

^{vii} Between 2008 and 2020, no decrease in the labour force is only expected at the provincial level in Flevoland, Utrecht and North Holland (PBL and CBS, 2009; Renes et al., 2009: 129).

^{viii} The COROP areas of south Limburg and the Delfzijl region do not fully correspond to the shrinking regions Parkstad Limburg and Eemsdelta. South Limburg contains more municipalities than Parkstad Limburg; these include, as well as the Parkstad municipalities, also Stein, Beek, Sittard-Geleen, Schimmen, Meerssen, Maastricht, Valkenburg aan de Geul, Eijsden, Vaals, Margraten and Gulpen-Wittem. The Delfzijl region does not include Eemsmond, whereas Eemsdelta does. The COROP area of Zeeuws-Vlaanderen does correspond to the shrinking region of Zeeuws-Vlaanderen.

^{ix} The 2010–2020 draft retail structure vision was published in Parkstad Limburg in September 2010 (see Parkstad Limburg, 2010b). According to a press release by the National Board for the Retail Trade (HBD, 2010), this vision does not focus sufficiently on the redevelopment required in response to the population decline.

^x) See Dijkstal and Mans, 2009a,b,c; Groen et al., 2009; Louter et al., 2009; Rosenberg et al., 2010; VROM et al., 2009a.

^{xi} See also Commissie Bakker (2008).

^{xii} Please refer to the previously mentioned SER research for further information about the role of the business sector in managing demographic decline.

^{xiii} Exceptions are the 2040 Structural Vision for the Randstad (*Structuurvisie Randstad 2040*) (VROM, 2008) and the new agreements made in the multi-annual plan for infrastructure, spatial planning and transport (MIRT) between the national government and Parkstad Limburg (VenW et al., 2009).