

## **Financial means for demographic change**

A condition for successfully tackling demographic change is the availability of sufficient financial means, an understanding of the financial consequences and a reasonable allocation of expenditures among relevant authorities, social partners and other organizations. Joint action is needed to pay for restructuring and transforming areas in population decline.

When mapping the financial consequences of demographic change, one may distinguish financial consequences as a result of population change from regular transition expenditures, as for example the continuous renewing and upgrading of the existing housing stock. Secondly, one may want to see long term structural change apart from short term transitional changes.

Insight in the financial capacity of the involved authorities and organizations to cope with the consequences of demographic change is essential to estimate the extent of the challenge to be dealt with. The financial burden will most presumably rest on the shoulders of housing agencies, local public bodies and social services.

### **Restructuring the housing stock**

Demographic decline has consequences for both the rental market and the market for real estate. The restructuring and upgrading of houses and deprived neighborhoods by social housing corporations was based on a system of growth. Profits made on new estate development were used for paying for unprofitable expenditures coming with restructuring efforts for social (rented) housing. When demand of houses and property prices drop, funds for restructuring decrease rapidly. As for the property market, house owners and property developers are stuck with houses nobody wants to buy. Vacant houses remain and investors avoid the area, leaving the community behind with the consequences.

### **Managing public space**

Spatial planning and the urban grid that comes with it are also based on a system of growth. Though developers know where to build and what, there is no system to facilitate the gradual decrease of land occupancy. Public bodies and inhabitants are confronted with empty plots. Who will pay for demolition and the management of open and public spaces? How to deal with and pay for the transformation of new spaces, development of new roads and reusing remaining empty buildings?

### **Concentrating education and other service provisions**

A changing composition of the population generates new demands concerning the usage of social provisions. A decline in the number of pupils and students may mean that less schools are needed to provide the same educational offer. Less people, or a smaller labor force, leads to relatively higher costs per head for local or regional governments. While the same number of roads or major institutions needs to be maintained, the same amount of costs is covered by an decreasing population.

This forces local and regional politicians to make choices. Not every school can remain open, not every village can still have its sports facilities. To maintain a certain level of local quality of life, both authorities and involved stakeholders –such as social organizations, foundations and commercial entrepreneurs- will experience the financial consequences.

National and regional financial structures in Europe are mostly build in the context of growth. Not seldom public bodies are allocated finances by measuring the amount of users or inhabitants in communities, cities and provinces. While growth means extra financial possibilities, decline means less possibilities. Regions in decline are then double hit: less possibilities and less income combined by mounting expenses to cope with demographic transition.

Existing financial instruments may therefore be of no use to deal with demographic change. Monitoring decline and predicting future expenditures may spread the financial burden over several years. Financial challenges however, remain a common issue among the DC NOISE partners.

Please do not hesitate to comment on this article, for example by adding possible ways to deal with the financial difficulties coming along with demographic change.

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