Reconciling territorial development and demographic decline

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XIII European Mountain Convention

Outline

1. Context for OECD mountainous regions
   - Megatrends and economic shocks
2. Drivers of performance and well-being
   - What does the data tell us
3. Policy considerations
   - How can policies help ?
4. Moving ahead

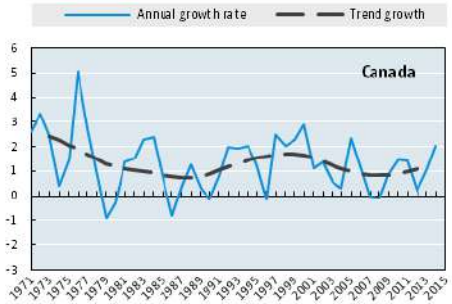
Globalisation has been evolving over the past decades...

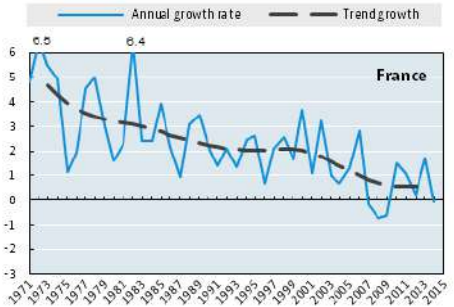
	1st Wave	2nd Wave	3rd Wave
Technology	Steam Engine Telegraph Electricity Internal Combustion Engine	Jet Planes Television Communication Satellites Container Traffic.	Microprocessor PC Internet Mobile Phones
Political Leadership	Great Britain Economic Leader	USA Economic Leader Cold War (1944-1991)	USA, EU, China and India.
Commerce	Initially free trade but gradually increasing protectionism.	gradually reduced industrial tariffs.	More and more countries adopt free trade.
Trade	Limited scale Shipping industry most important.	Limited scale Shipping industry most important.	Large scale air cargo also picked up with shipping industry.

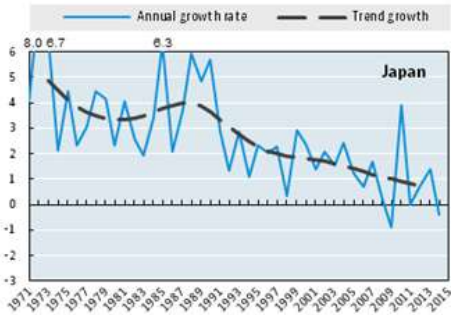
- **Decoupling of production factors**
- **TIVA**
- **Services economy**

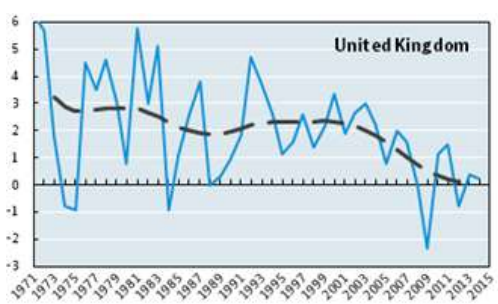
Source: Richard Baldwin

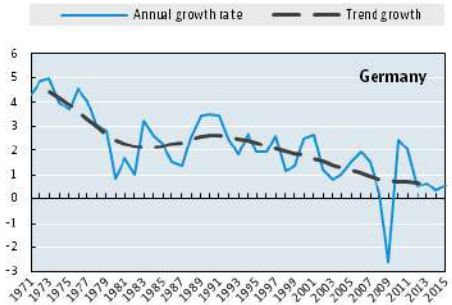
...bringing challenges to productivity growth

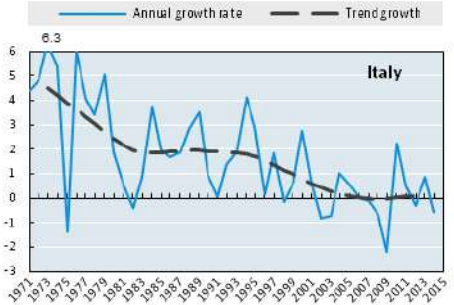


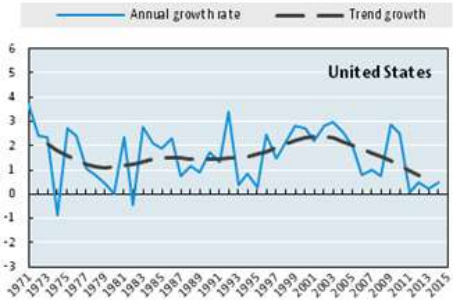










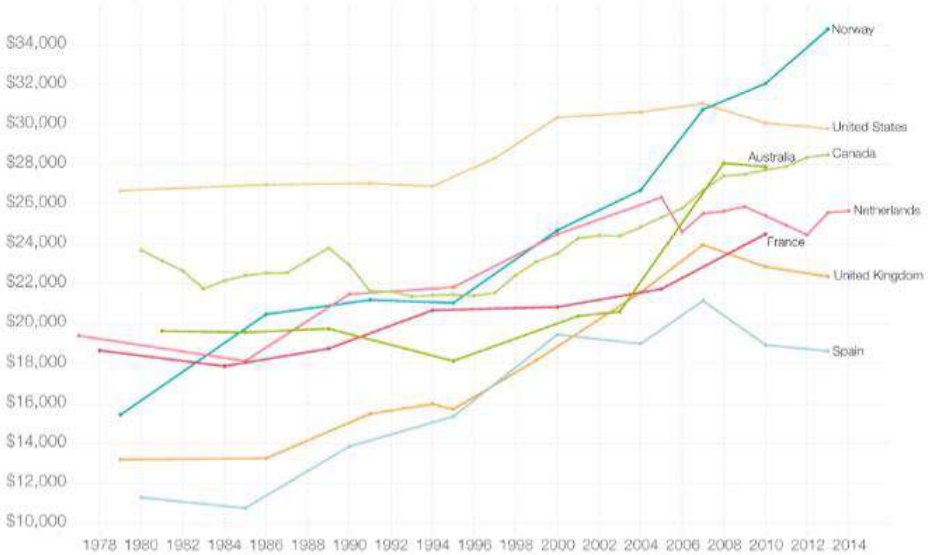


Productivity paradox:

- ↑technology
- ↑skills
- ↑integration (GVC)

Productivity slowdown has an effect on the real economy

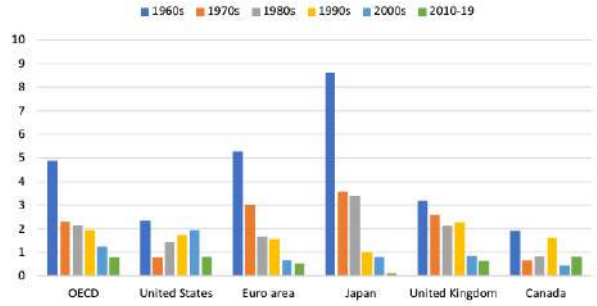
Evolution of living standards of the middle: Real median household income from around 1980 (in 2011 PPP-adjusted dollars)



Note: LIS and OECD (Netherlands, Canada)

Productivity growth has been on a declining long-term trend in most large economies

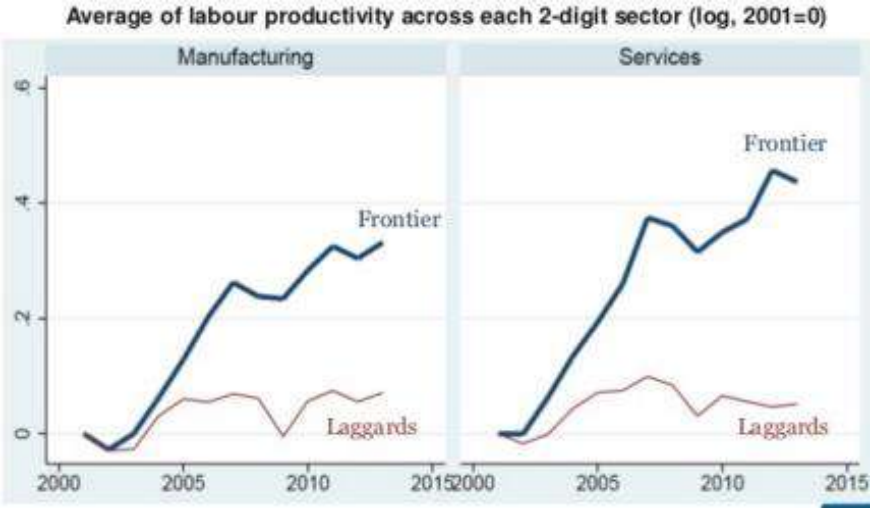
Average labour productivity, annual growth rate

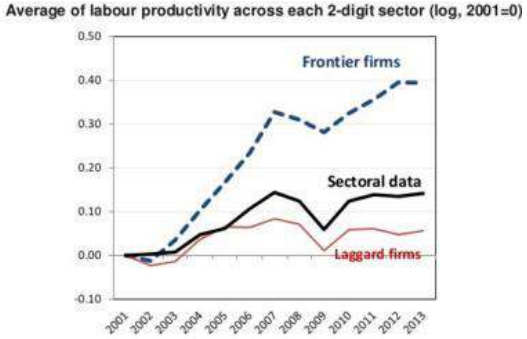


Note: Labour productivity is measured as GDP per worker due to data availability for the OECD aggregate. However, where data are available, trends in GDP per hour are broadly similar. The pandemic period is excluded due to the high volatility of output and labour (see below in footnote 16; also see Figure 3 for more recent and more detailed country-by-country data using hours worked based productivity). The OECD and Euro area are aggregated using GDP-PPP weights.
Source: OECD Economic Outlook 115 Database (June 2024).

Productivity slowdown affects wages, living standards and wellbeing

Why is geography and regions important for productivity?





Frontier firms forge ahead on productivity

- **Disseminating innovation**
- **Adoption and absorption**
- **Networks**

Regions are key in this process

- **Wages**
- **Standards of living**
- **Local and regional ecosystem**

Better Policies for Better Lives:

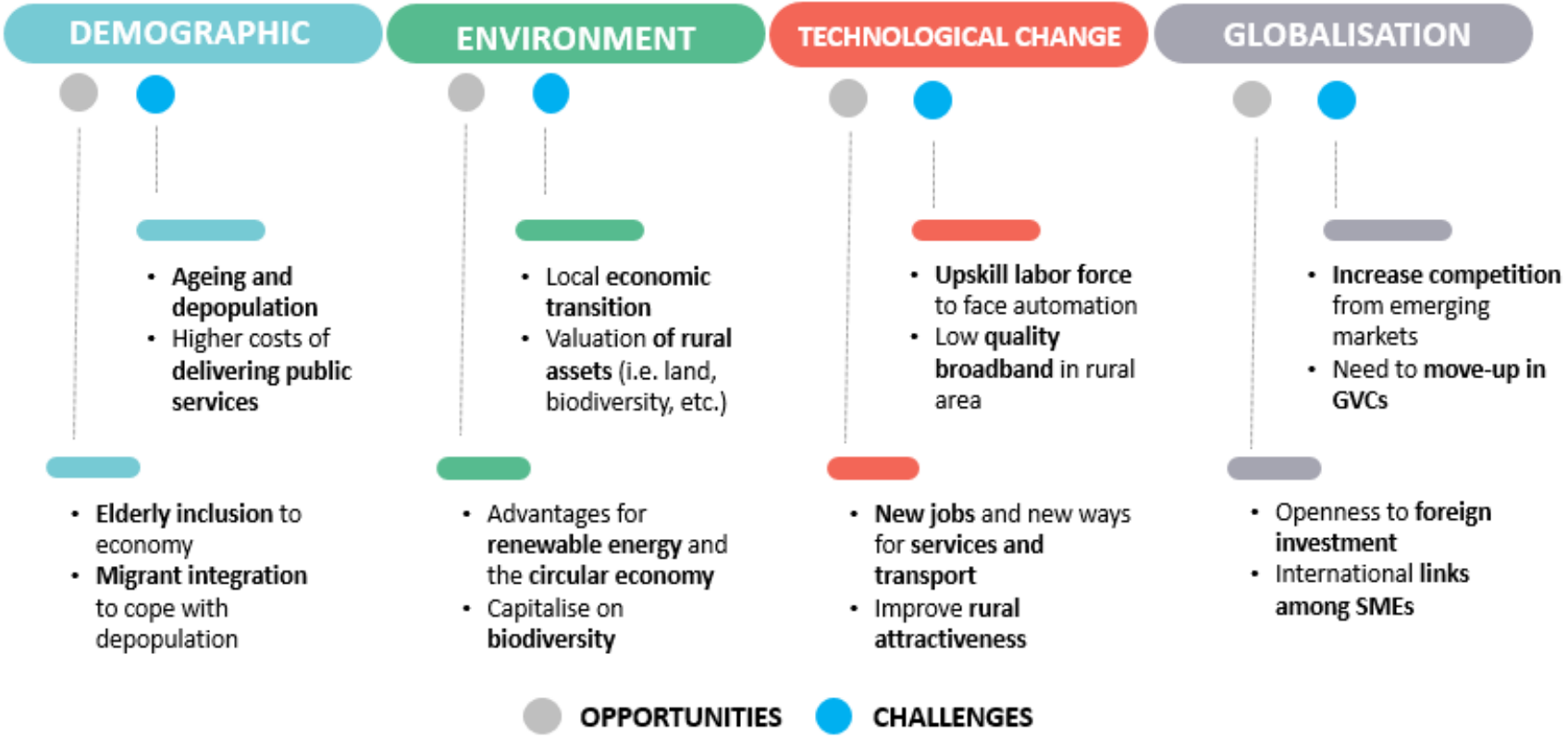
Global Financial Crisis and subsequent shocks

OECD Wellbeing framework – Better Life Index

France

Spain

Megatrends are shaping our economies and societies in new ways...



Megatrends combined with recent economic shocks have brought discontent and mistrust

Root causes of discontent:

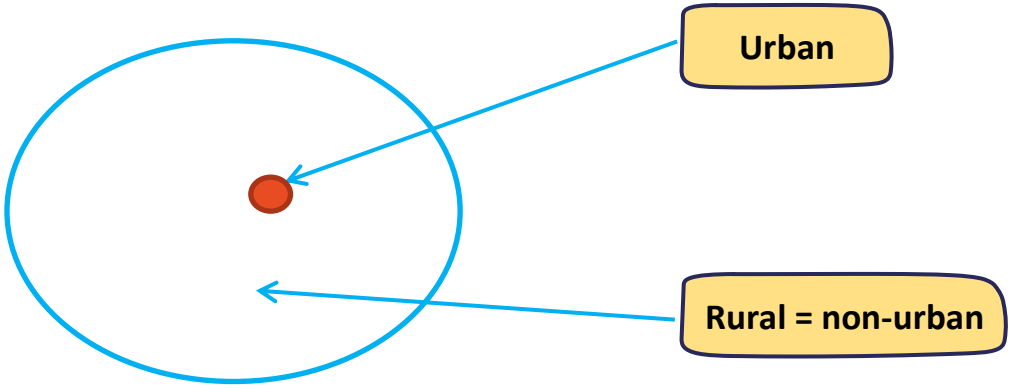
- Effects **megatrends** and **economic shocks** (global financial crisis, COVID, geo-political)
- **Climate change regulations** coming short.
- People and places feeling left behind
- **Discontent**/feeling left behind can destabilise the entire system.

Unprecedented public investment programs:

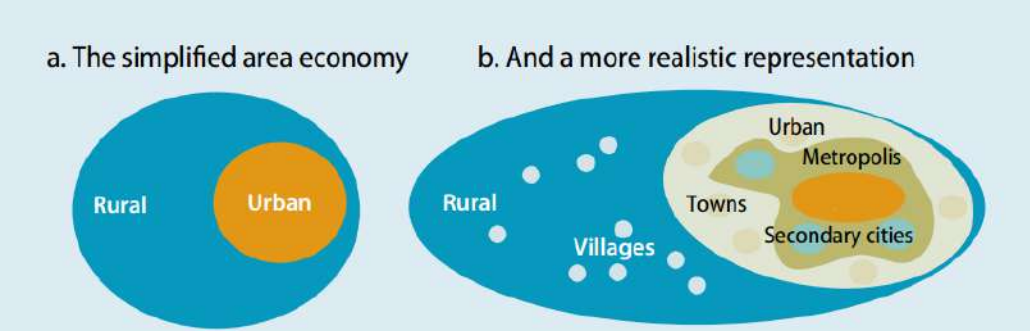
- Marshall plan 13.3 billion (150 billion today)
- IRA (306 billion), EU green deal (1000 billion)

Importance of definitions for mountainous areas.

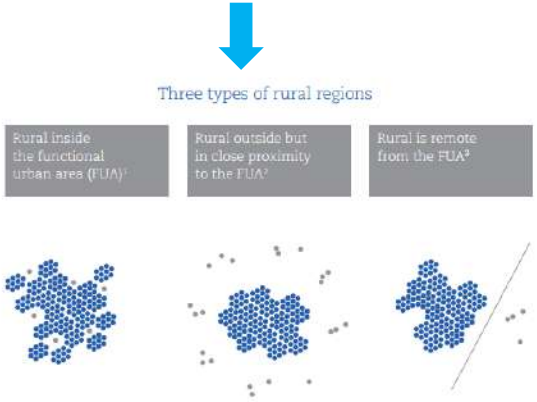
Traditional definitions



Recognising and measuring different types of rural...



Source: Global Monitoring Report 2013, IMF/World Bank



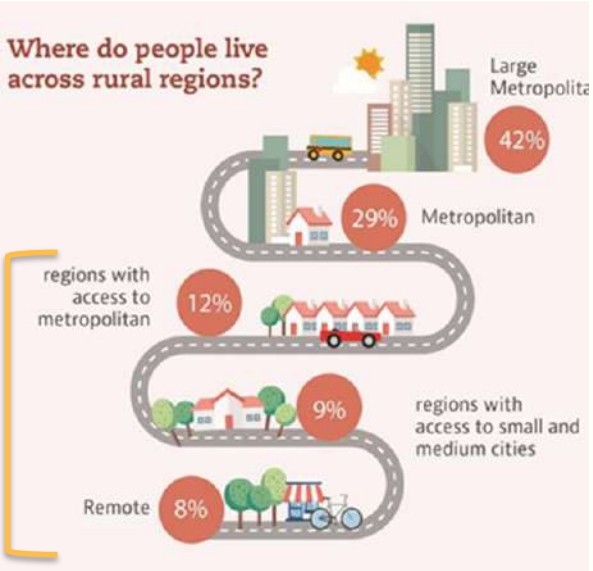
Challenges by type of rural region

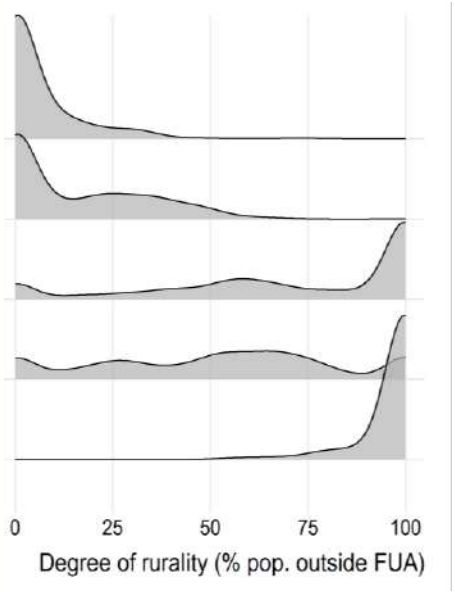
Type	Challenges	Opportunities
Rural inside a functional urban area (FUA)	• loss of control over the future • activities concentrate in the urban core • loss of rural identity	• more stable future • potential to capture benefits of urban areas while avoiding the negatives
Rural outside, but in close proximity to a FUA	• conflicts between new residents and locals • may be too far away for some firms, but too close for others	• potential to attract high-income households seeking a high quality of life • relatively easy access to advanced services and urban culture • good access to transport
Rural remote	• highly specialised economies subject to booms and busts • limited connectivity and large distances between settlements • high per capita costs of services	• absolute advantage in production of natural resource-based outputs • attractive for firms that need access to an urban area, but not on a daily basis • can offer unique environments that can be attractive to firms and individuals

Urban and rural places are strongly interdependent

A typology of regions to emphasise linkages

- **29% of population live in rural regions (347 million)**
- **21% in rural regions near cities (250 million)**
- **8% in remote regions (97 million)**

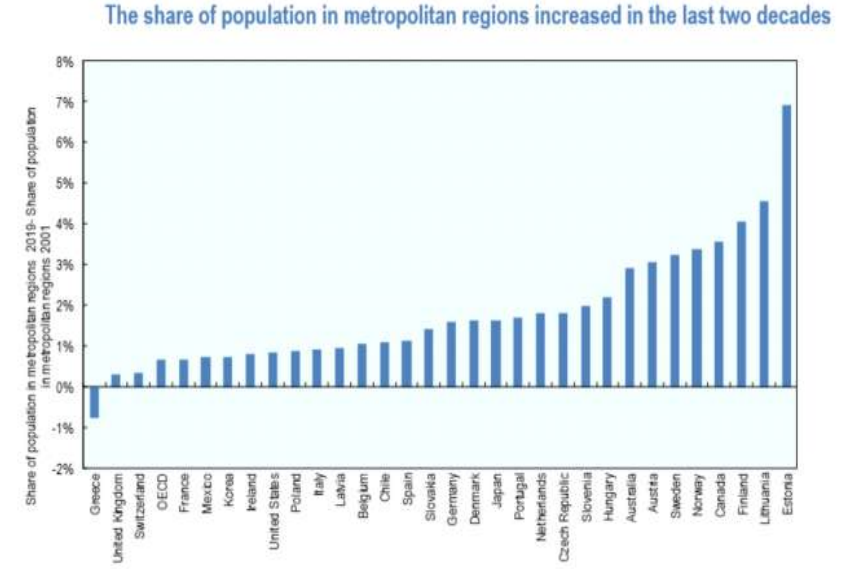




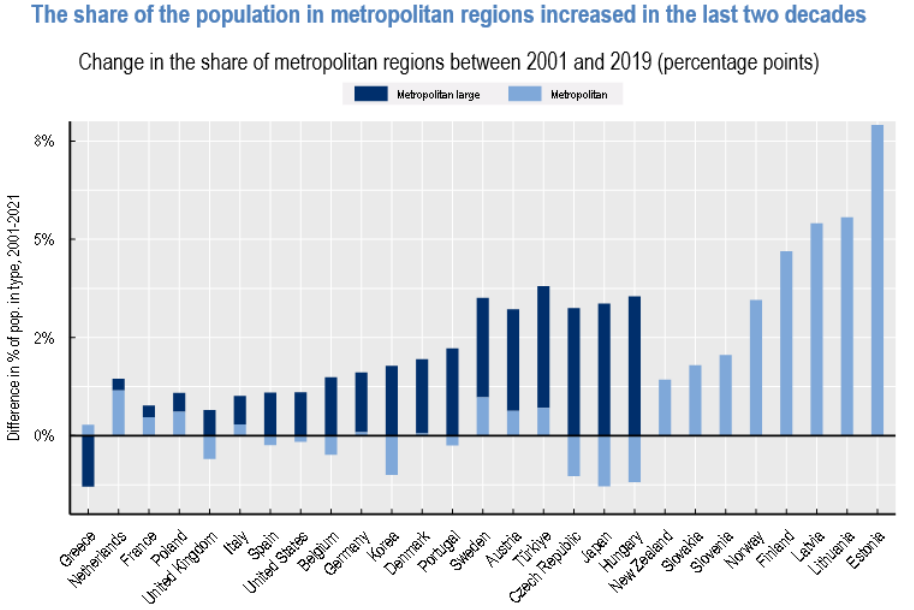
Many shades of rural

- Large metropolitan are more urban
- Rural is a bit everywhere
- Regions in-between are rural with varying degrees
- Remote regions clearly more rural

Rural face stronger demographic pressure

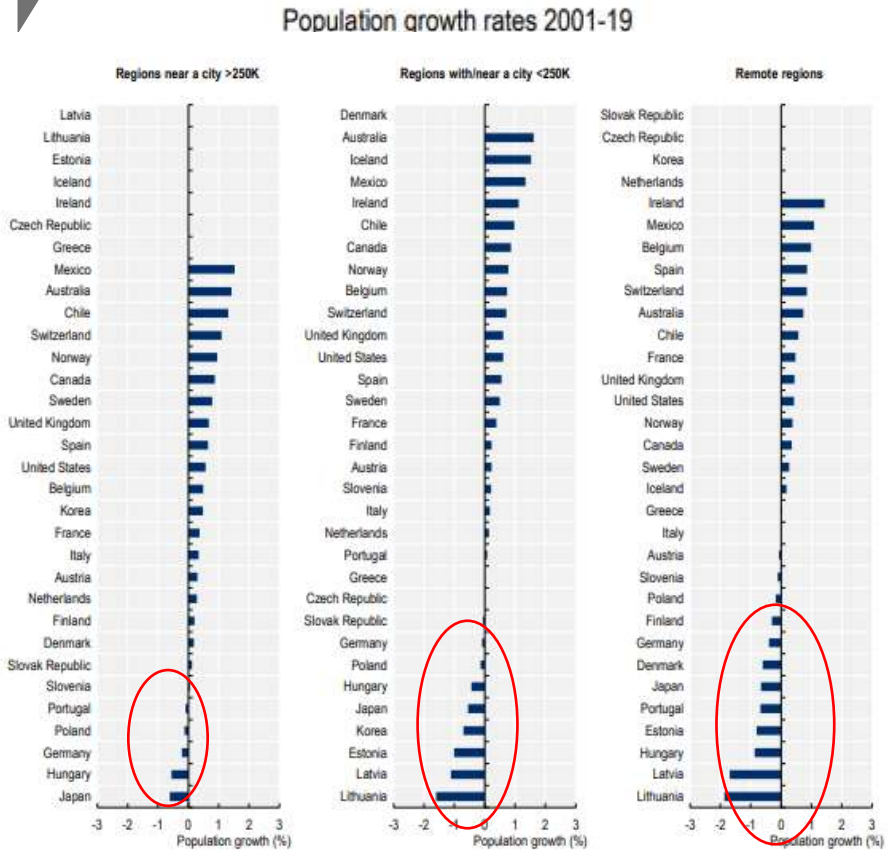


Note: Metropolitan regions includes regions with a city of at least 250 thousand inhabitants. Based on available data for 2 147 TL3 regions.
Source: (OECD, 2019[7]) OECD Regional Statistics (database), *http://dx.doi.org/10.1787/region-data-en*.



Note: Metropolitan regions include regions with a city of at least 250 000 inhabitants.
Source: (OECD, 2022[20]). OECD Regional Statistics (database), accessible at: https://www.oecd.org/regional/regional-statistics/

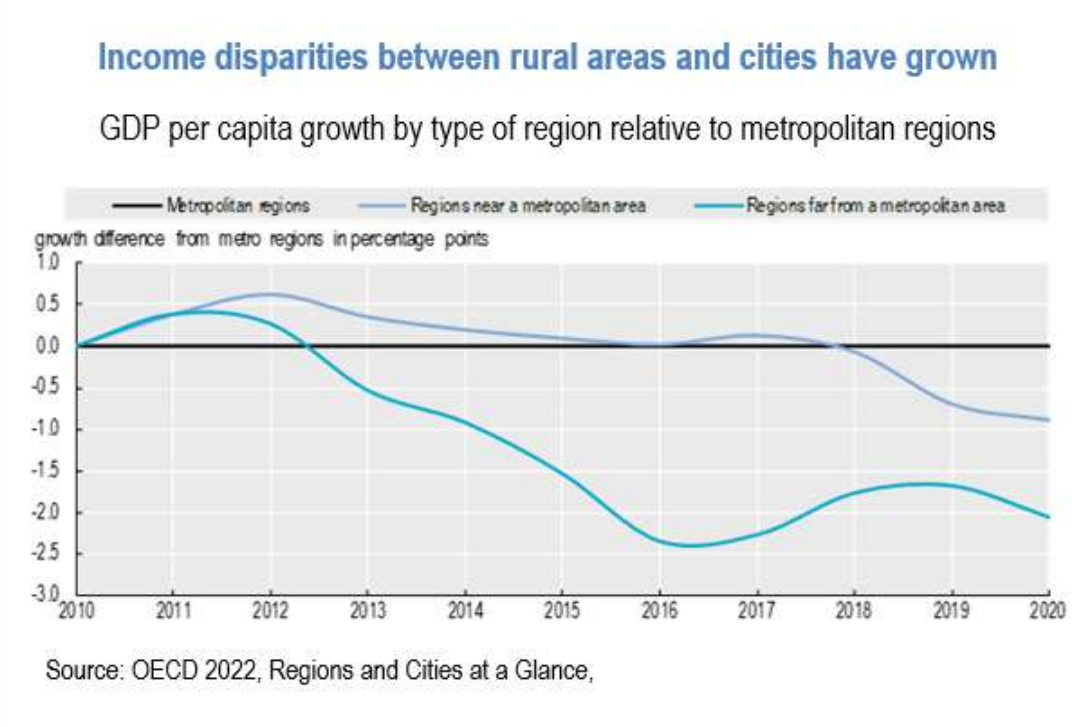
Especially in remote and rural close to medium/small cities…



DEMOGRAPHIC CHANGE

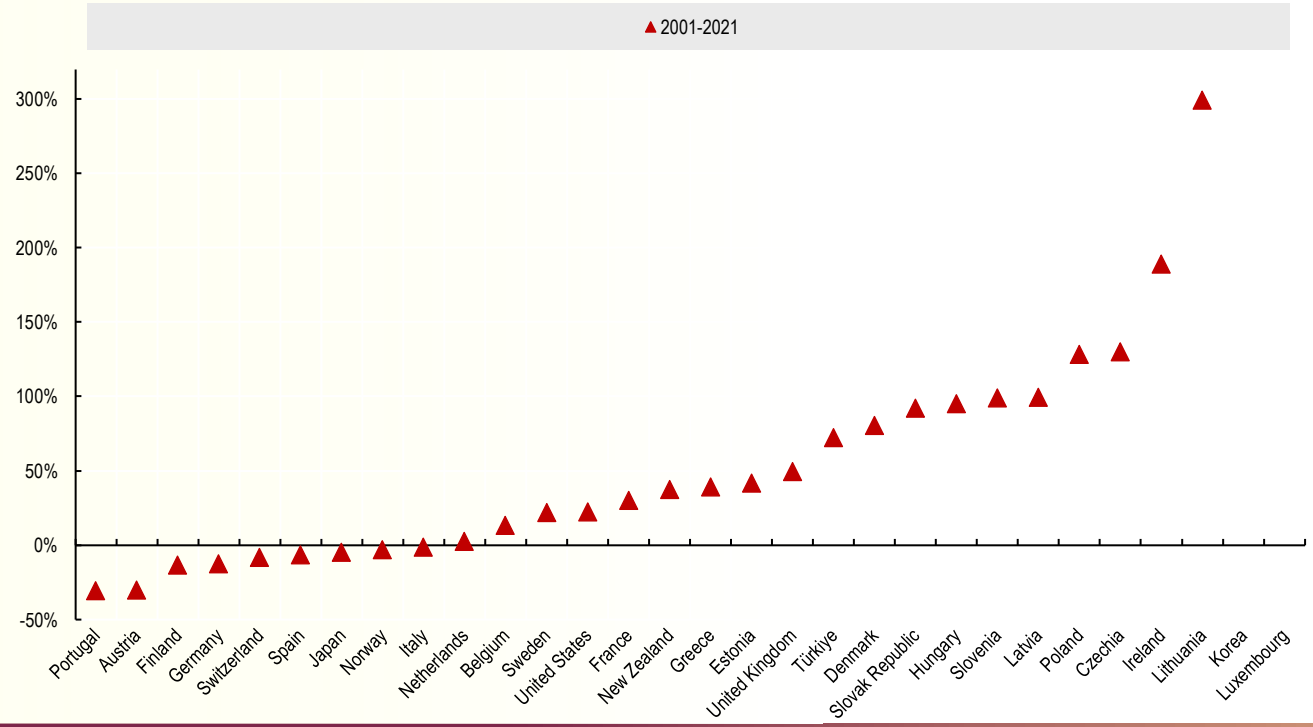
- **8 out of 38** OECD countries are shrinking (2001-2020), **14** by 2040 and **18** by 2100
- Fertility rates have fallen from **2.84** in 1970s to **1.59** in 2020
- Life expectancy **80.3** in 2021, 10 years higher than 1970
- **40%** of remote regions in OECD are shrinking
- Amongst regions that declined **57% are non-metro** regions far from midsize of large FUAs
- **22%** of FUAs lost population

Divides have grown especially in remote rural regions



The gap in GDP pc between metro and non-metro has been rising

Change in the GDP pc gap between metro and non-metro regions



- The gap increased in **18 countries** during the past 2 decades.
- In 8 country the reduction was very small
- Only **3 countries** experience a substantial decrease in the gap

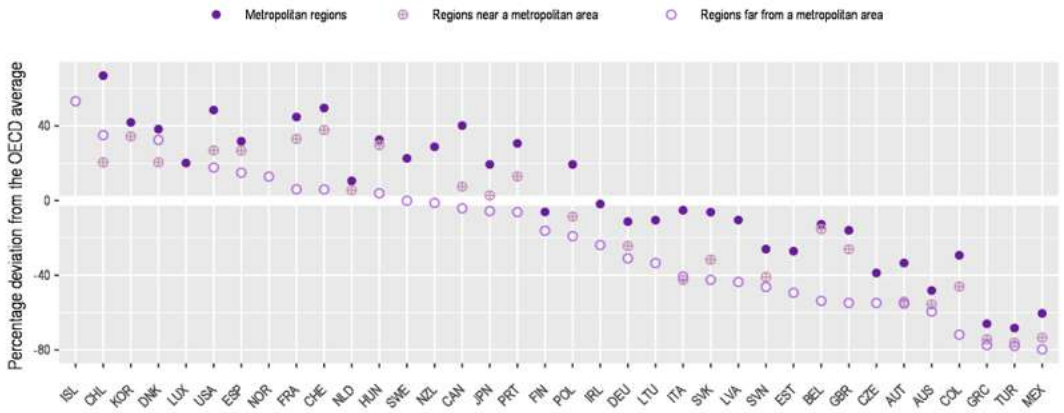
The digital agenda a critical pillar for the future of rural

Gap with DEGURBA is **50-percentage point** difference between cities and rural areas in fixed broadband speeds .

Gap by TL3 regions, is **36-percentage points** between metro and non-metro regions in fixed broadband

Gaps in download speeds experienced by users by degree of urbanisation, OECD countries

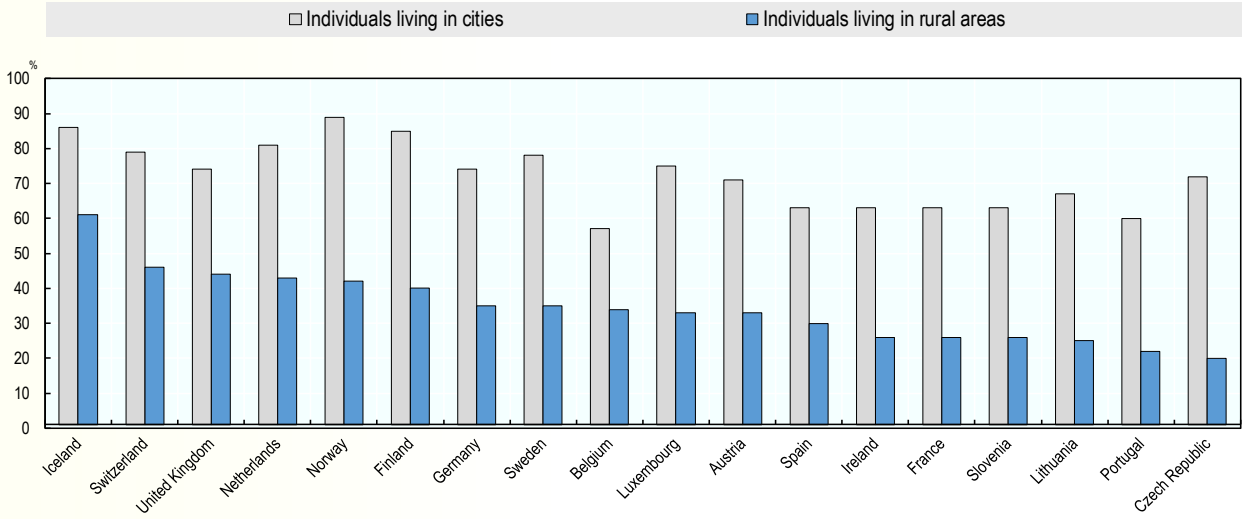
Gaps estimated as percentage deviation from national averages (2022Q1)



Note: Speedtest data corresponds to 2020Q4. The data for average fixed and mobile broadband download Speedtests reported by Ookla measures the sustained peak throughput achieved by users of the network. The measure is a simple average of the deviations in actual download speeds experienced in rural areas with respect to national average download speeds. Measurements are based on self-administered tests by users, carried over iOS and mobile devices. Aggregation according to the degree of urbanisation was based on GHS Settlement Model (GHS-SMOD) layer grids from (Florczyk, 2019[10]). The figure presents average peak speed tests, weighted by the number of tests. For further information on the degree of urbanisation, the definition and treatment of the Speedtest data see (OECD, 2021[11]).
Source: OECD Regions and Cities at a Glance, 2022

Digital skills are lower in rural places than in cities

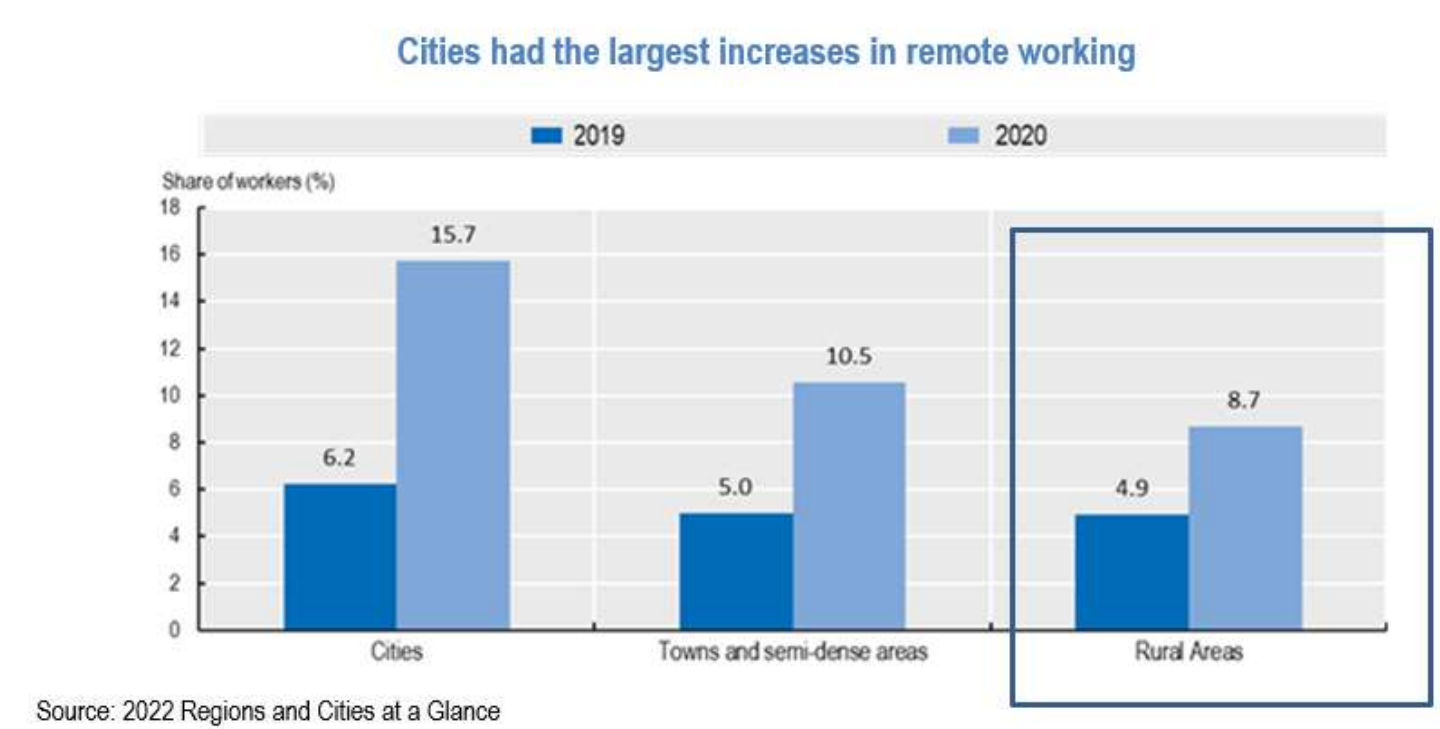
Share of individuals living in rural areas and cities in Europe with basis or above digital skills (2019)



Source: Eurostat (2020) EU European Social Survey

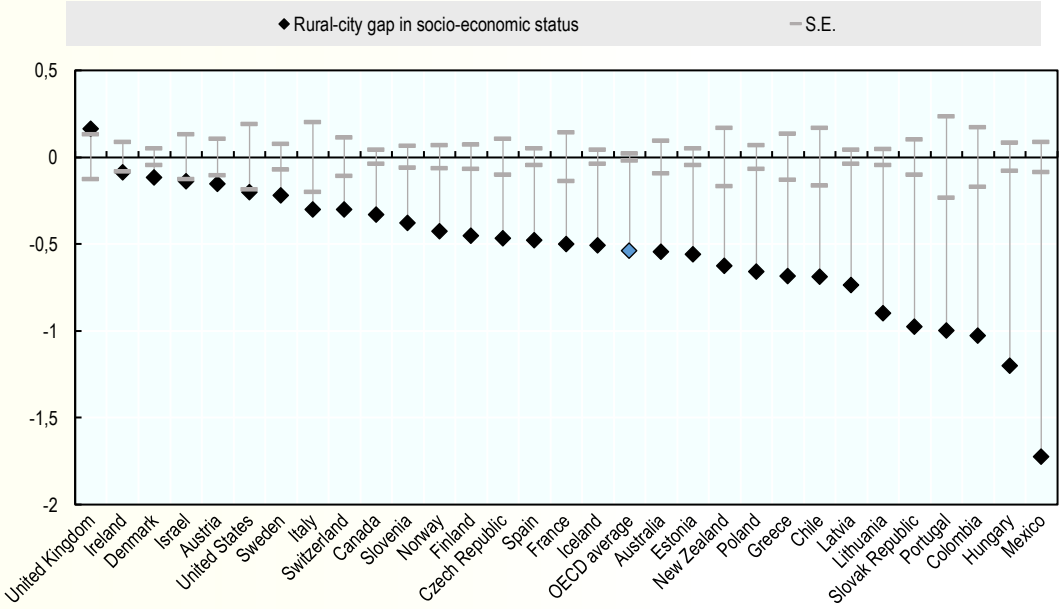
Digital skills are lower in rural places -- highest gap in the Czech Republic at **57 percentage points**

Remote working increased in rural but less...



Source: 2022 Regions and Cities at a Glance

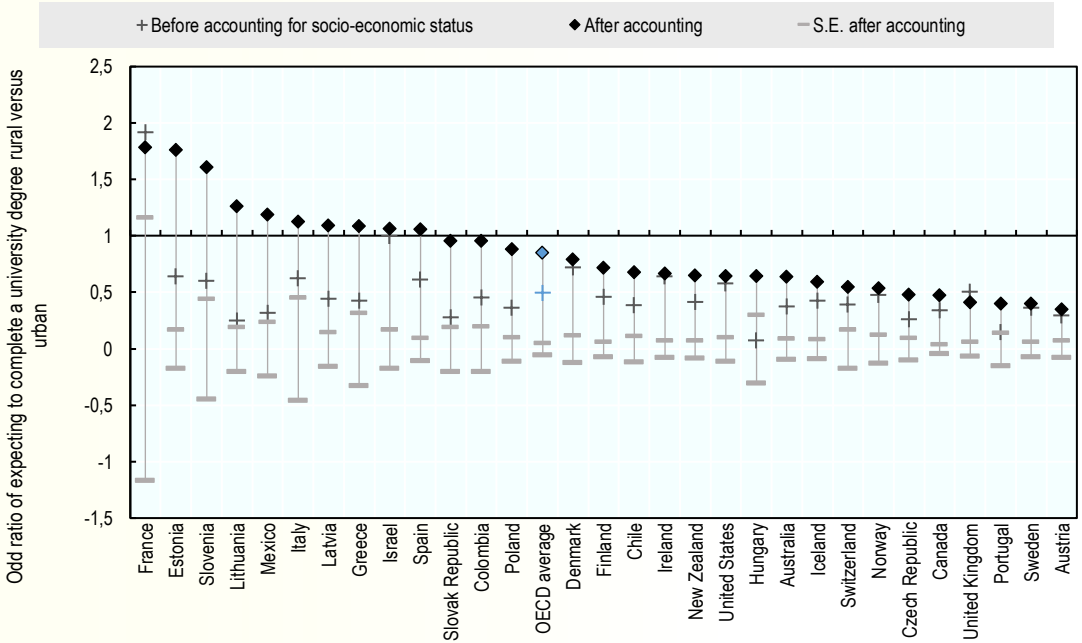
Gaps in PISA scores: urban and rural



- Gaps are **48 points higher** in urban: **1 year of schooling**
- **Statistically insignificant** when controlling for socioeconomic status

Source: Delivering quality education and health care to all, OECD 2021

Gaps in educational outcomes in urban and rural



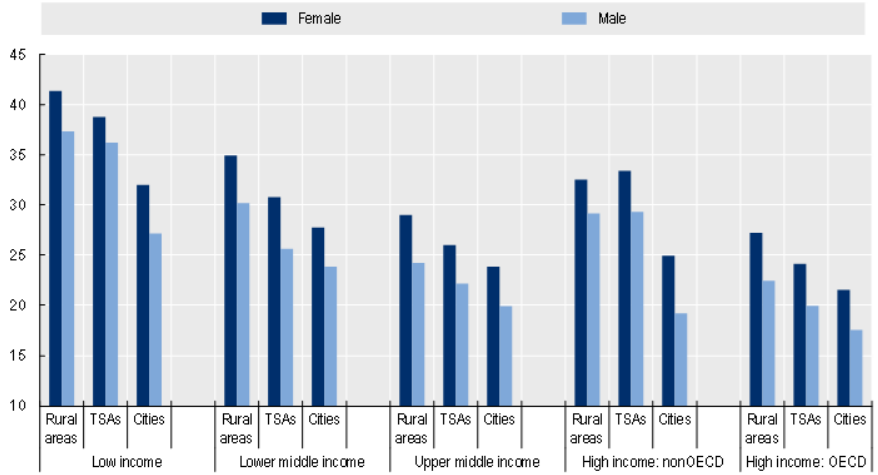
Source: Delivering quality education and health care to all, OECD 2021

- Expectations to complete a university degree in urban students **is double**

Gaps in health outcomes

Health problems by gender by degree of urbanisation, countries from all world regions and income groups

Share of people reporting suffering significantly from health problems. 2016-2017.



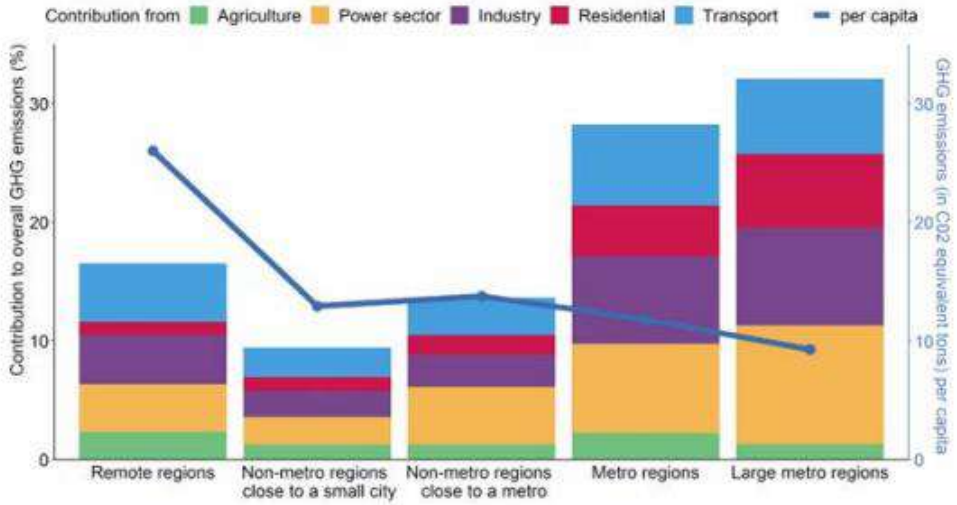
Note: TSAs denote towns and semi-dense areas. Data come from the Gallup World Poll and consist of countries from all world regions and all country income groups. In total, 13% are high-income countries, 65% middle-income countries (32% upper- and 33% lower-middle income) and 22% low-income countries.

Source: (OECD/European Commission, 2020[26]), based on (Gallup, 2017[27]), Gallup World Poll, 2016-17, https://www.gallup.com/analytics/232838/world-poll.aspx; elaborated by EC and OECD, 2019

Rural places are a fundamental part of green transition

Production-based emissions per capita are highest in remote rural regions

Contribution to GHG emissions (bars) and GHG emissions per capita (line) by type of region, 2018



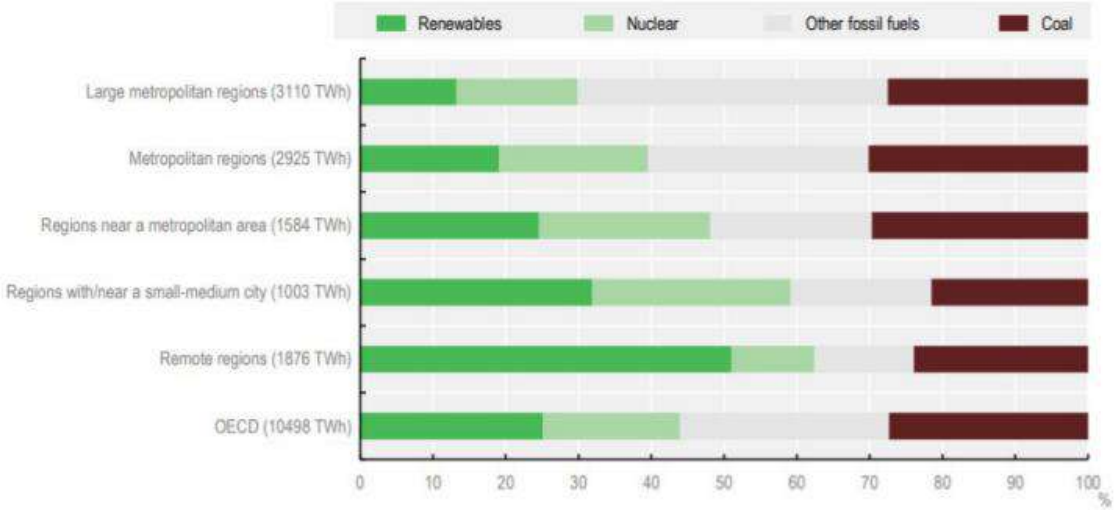
Source: OECD 2021 Regional Outlook

- Emissions per capita **three times higher** in remote rural regions (**26.3** tons of CO2 against **9.3** in metropolitan).

Rural places are a fundamental part of green transition

Rural regions, especially remote ones, are leading in renewable electricity production

Sources of electricity production, 2017

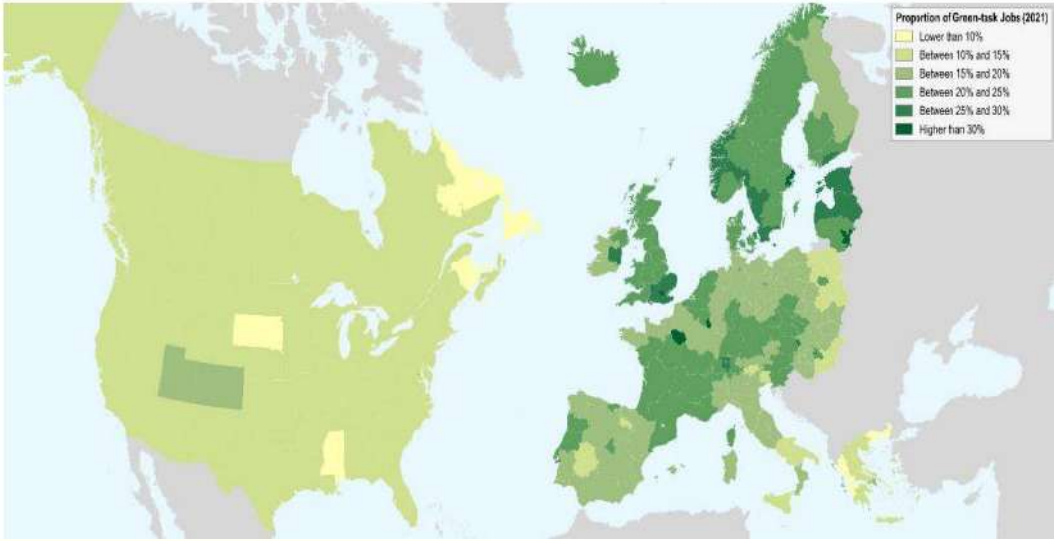


Source: Adapted from OECD Regions and Cities at a Glance 2020

- Rural regions contribute more than **50% of total renewable energy** production in OECD countries.

Green jobs are more concentrated in metro regions

The **proportion of green-task jobs in regional labour markets**, OECD regions, 2021 or last available year

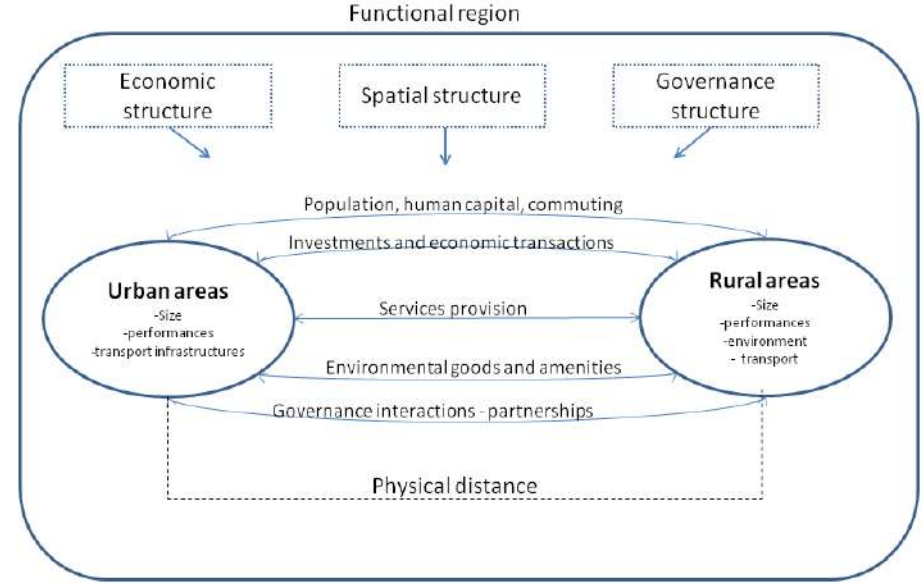


- **70% of jobs** in sectors related to the green economy are in metropolitan regions.

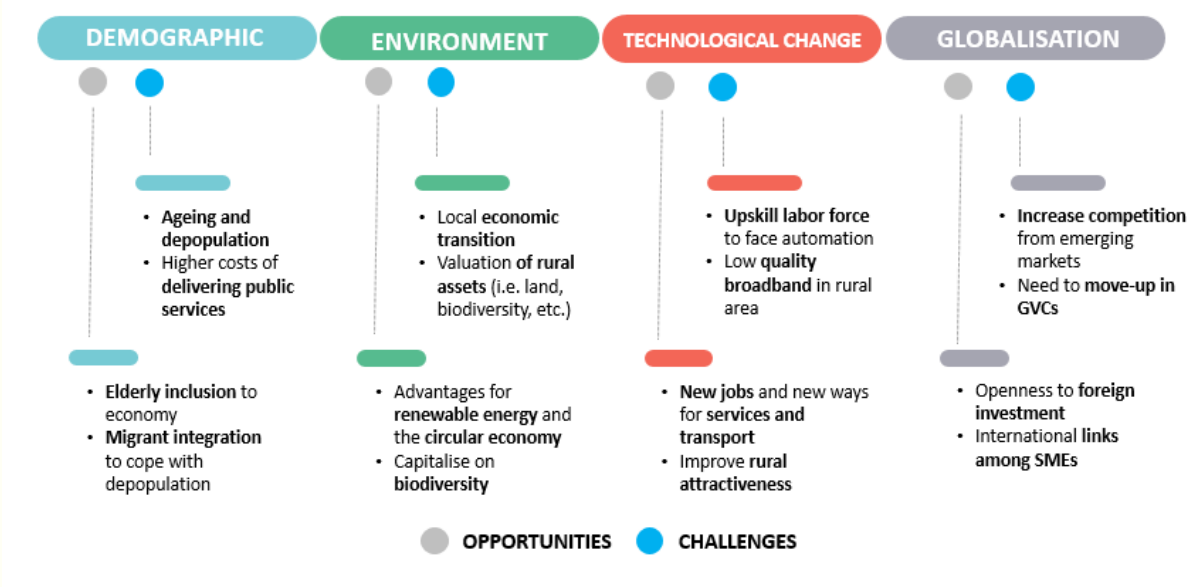
Source: Job creation and local economic development, OECD 2023

1. Capitalise on Rural Urban Linkages

- **Labour market flows are key, but there are other crucial Rural-Urban interactions**
  - The spatial scale to consider depends on the **purpose of the partnership**
  - The spatial scale of cooperation should be **flexible**

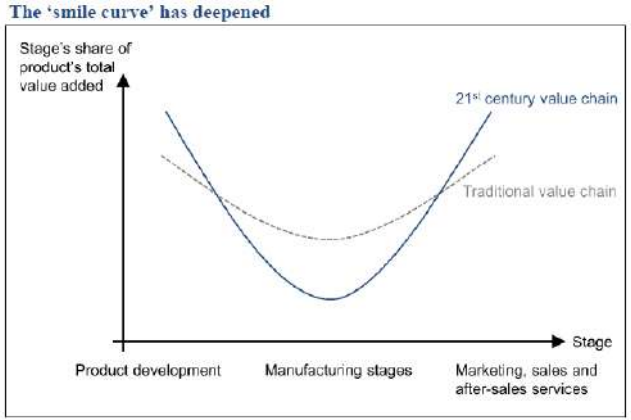


2. Forward looking policies to address opportunities and challenge of megatrends – use of foresight

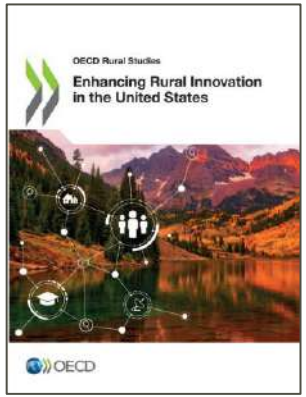


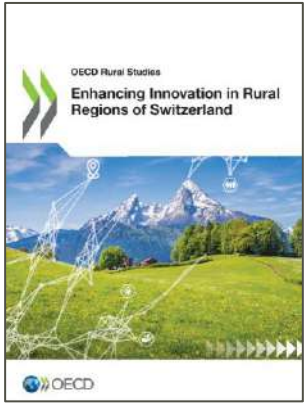
3. Adding more value in tradable activities

- **Identifying drivers in rural areas (smart specialization)**
  - Tradables (manufacturing), RE, natural resources, services, fisheries, forestry, agriculture, tourism, culture, natural amenities
  - Finding the niche (smart specialisation)
- **How to add value in these domains**
  - Policy focus on enabling factors: skills, accessibility, market intelligence, institutions, innovation



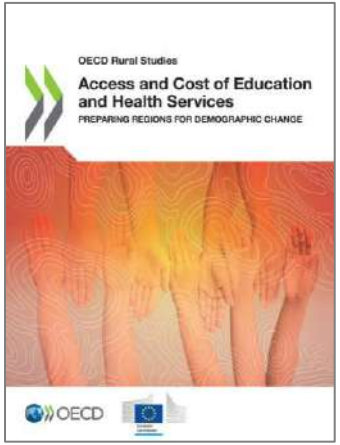
4. Enhancing rural innovation to add more value





5. Innovation and strategic planning for delivering services

Realities of rural services	Solutions
✓ *Lower density and more dispersion yields higher marginal/unit costs* ✓ *Ageing bring new demands* ✓ *Right to stay and constitutional obligation*	✓ *Strategic planning* ✓ *Economies of scale* ✓ *Economies of scope* ✓ *Flexibility in regulations* ✓ *Long term planning* ✓ *Integrated solutions*



7. Policy responses for delivering services

Generic

- ✓ Increase the **place sensitivity** of service delivery
- ✓ Tackle demographic challenges through **innovation** -- new approaches must be found to deliver quality services in a fiscally sustainable way over the long term.

Education

- ✓ Take **flexible approach** when considering class sizes and regulatory matters
- ✓ Actively participate **in school network** restructuring & deploy innovative approaches to increase the scale of rural schools (multi-grade classrooms)
- ✓ Attraction, retention and empowerment of **teachers**
- ✓ Increase scale through the development of **school clusters**
- ✓ Service co-location, integrating schools with other public service
- ✓ Expand **digital education**

Health

- ✓ Reinforce **primary** and integrated care provision in rural areas
- ✓ Co-ordinating between **primary care** physicians and **social care** providers,
- ✓ mobile clinic and testing facilities
- ✓ Provide incentives for the establishment of **multi-disciplinary** health centres
- ✓ Expand the use of **telemedicine**

6. Making the most of climate change: OECD Rural Agenda for Climate Action

Renewable Energy
Large land use, limited local jobs → **Visual/noise impacts, land conflicts.**

Mining
Environmental damage, few local benefits → **Distrust and regional discontent.**

Infrastructure
Disruption of communities/ecosystems → **Polarization and exclusion if mishandled.**

Investments
RE deployment disconnected from local ecosystems → **Lack of opportunities**

Climate change efforts are not perceived to benefit rural places

6. Areas of opportunities in transformation to net-zero economy for rural areas

Renewable Energy Production: Rural areas have a comparative advantage in renewable energy production (land and pop. density)

Bioeconomy and Circular Economy: Opportunities to develop sustainable local economies

Sustainable Mobility: Potential for rural regions to benefit from community led and social mobility solutions.

Biodiversity: Protect and enhance biodiversity by conserving natural habitats and species, supporting ecosystem services.

Community Involvement: The need to ensure that rural communities are **actively involved and benefit from the green transition**.

7. Better and more effective policy responses are needed

Placed-based policies	Geography of opportunities	Local empowerment	Building scale	Improved access to quality services
Diagnosis and data: Evidence based data and customize policies to different types of rural regions (close to cities, and remote).	**Strategic planning**: Coordinate sectoral investments (e.g., energy and agriculture) to promote integrated development and local job creation.	**Bottom up:** Allow local governments and communities to make decisions, ensuring solutions are tailored to their unique requirements.	**Horizontal cooperation:** Cooperate with adjacent municipalities and communities using functional criterion to build up economies of scales and of scope.	**Holistic approach:** Upgrade services (education, health, housing, digital) to reduce distance penalty, isolation and improve quality of life.

8. The Rural Well-being Framework: a people centred approach

ECONOMY

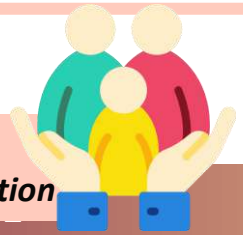
Enhancing productivity and competitiveness

- Deepening **smart specialisation** strategies and **promoting innovation**.
- Supporting **SME growth**
- Facilitating access to **sources of financing** for rural firms.
- Retaining **more value** in rural communities

SOCIAL

Planning to demographic change and social innovation

- Enhancing the quality and availability of **digital tools** and skills
- Designing **resilient services and** providing **targeted mentoring initiatives**
- **Developing 'silver'** services to support the elderly population
- **Supporting social innovations** that target societal challenges
- Developing **targeted programmes for youth and newcomers**



ENVIRONMENTAL

Shifting to a zero-carbon economy

- Facilitating the **development of renewable energies**
- Identifying ways to account for and **create value from eco-system** services
- Promoting **sustainable land-use** a part of the circular and bio-economy.
- **Rethinking transportation** for rural dwellers

9 Principles on Rural Policy: Scale, Strategy, Stakeholder

Thank you!

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