

Demographic and Economic Trends, Service Delivery and Community Viability

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Context for the Talk

- Communities in the NSPA regions of Finland, Norway and Sweden have in common:
 - a harsh climate,
 - great distance from, major markets, population centres and national governments, and
 - small specialized economies that have a high dependence on natural resources.
- Like most rural remote communities in OECD countries, they face an aging and shrinking workforce, and population decline.
- Attracting and retaining workers will require: jobs that pay relatively well, stable employment conditions, and communities that offer a high quality of life, including good public services.

Three Key Challenges for Local Governments in Rural Places

- Last Century
 - Providing more jobs for the locally available workforce
 - Improving workforce skills
 - Applying for grants to deliver an increasing range of local public services
- This Century
 - Lobbying to preserve funding for local provision of basic services, and finding new ways to deliver services.
 - Improving workforce skills
 - Finding replacement workers for those retiring or leaving

What Makes a Community Viable?

- Premise: Viable communities employ enough people on an ongoing basis to ensure that their populations are large enough that national and sub-national governments will continue to provide them with adequate public services.
 - Viability is a multi-dimensional problem, only pieces of which are subject to local control.
 - Important community dimensions are: local labor market conditions (worker supply and demand) and access to local public services.
 - Important external factors include: global demographic change, dynamic markets for local products, and favorable national policies.

Changing Demography (1)

- Most OECD countries face an aging and shrinking workforce. The big question is, where will replacement workers be found?
- Increasing domestic fertility rates is unlikely and is a very long term solution (2+ generations).
- Recruiting immigrant workers is: expensive, potentially destabilizing, and exceedingly difficult for rural regions.
- One constant - young adults will continue to leave rural regions for better opportunities, and many are unlikely to return.

Changing Demography (2)

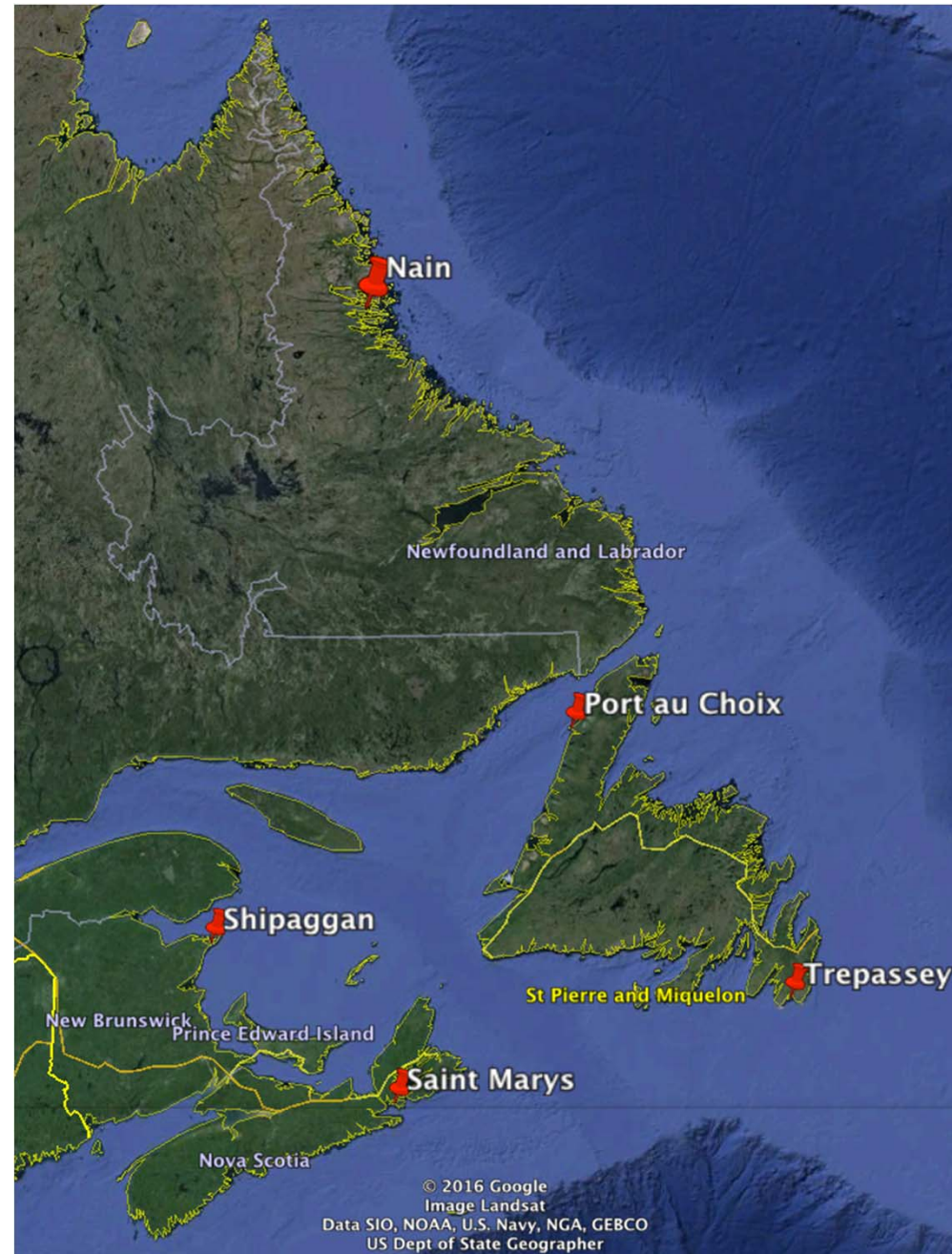
- An aging population has two key implications:
 - The first is the increasing need for workers to provide health and retirement services for retired people,
 - The second is the implication for local firms –either they obtain new workers and can maintain current technology, or they invest in labor saving technology and reduce workers, or they become uncompetitive and exit.

And, in countries where local governments rely on local taxes to fund activity, a reduction in population, earnings or employment will lead to an inability to fund services and increase dependency on transfer payments.

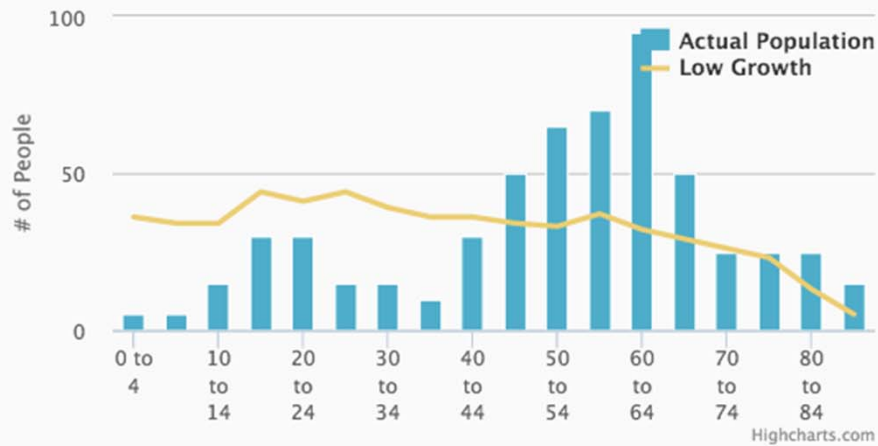
Some Atlantic Canada Examples

All small remote communities
Public services a significant source of
employment
Private sector employment
concentrated in retail or in resource
processing

Low population growth scenario
describes a demographic structure
that maintains the population near its
current level through natural
replacement –requires a fertility rate
slightly above 2.1.



Demography ?



575

Total Population

Working Age: ?

71.3%

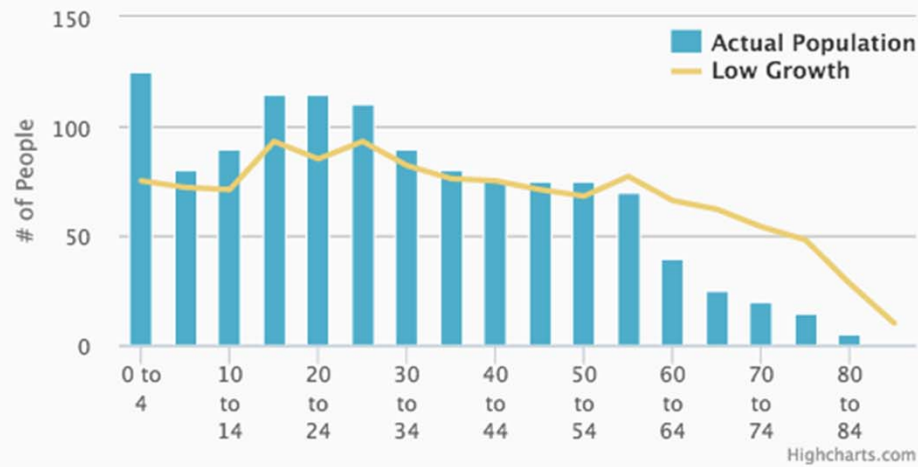
Dependency Ratio: ?

40.24%

Top Industries (2013): ?

- 1 Ambulance (except Air Ambulance) Services
49 Employees
- 2 Lighting Fixture Manufacturing
34.5 Employees
- 3 Personal and Commercial Banking Industry
34.5 Employees
- 4 Salt Water Fishing
22.5 Employees
- 5 Civic and Social Organizations
22 Employees
- 6 Pharmacies and Drug Stores
14.5 Employees
- 7 Business Associations
14.5 Employees
- 8 Home Centres
14.5 Employees

Demography ?



1,205
Total Population

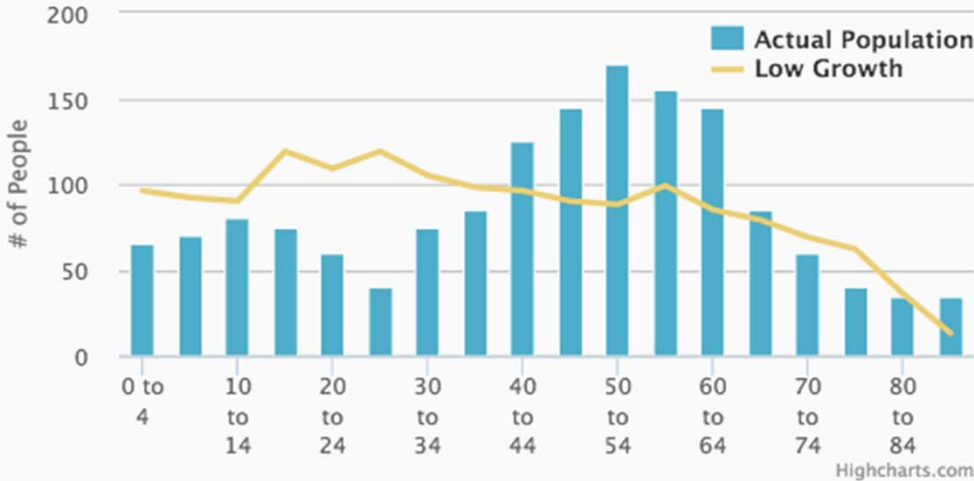
Working Age: ?
70.12%

Dependency Ratio: ?
42.6%

Top Industries (2013): ?

- 1** Civic and Social Organizations
184 Employees
- 2** Convenience Stores
49 Employees
- 3** Other Local, Municipal and Regional Public Administration
34.5 Employees
- 4** Specialty (except Psychiatric and Substance Abuse) Hospitals
34.5 Employees
- 5** Hotels
34.5 Employees
- 6** Radio Broadcasting
34.5 Employees
- 7** Construction
17 Employees
- 8** Engineering Services
14.5 Employees

Demography ?



1,545
Total Population

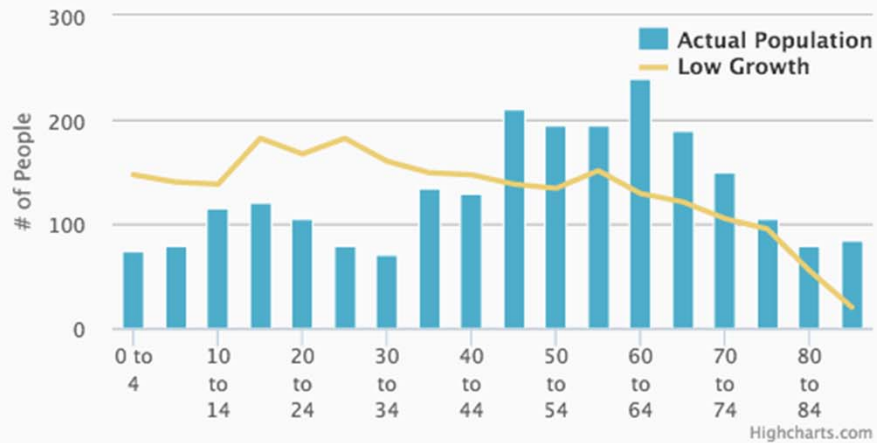
Working Age: ?
69.58%

Dependency Ratio: ?
43.72%

Top Industries (2013): ?

- 1 Seafood Product Preparation and Packaging
149.5 Employees
- 2 Salt Water Fishing
104.5 Employees
- 3 Construction
43.5 Employees
- 4 Marine Cargo Handling
37 Employees
- 5 Specialty (except Psychiatric and Substance Abuse) Hospitals
34.5 Employees
- 6 Hydro-Electric Power Generation
34.5 Employees
- 7 Home Centres
34.5 Employees
- 8 Private Households
24.5 Employees

Demography [?](#)



2,360

Total Population

Working Age: [?](#)

62.71%

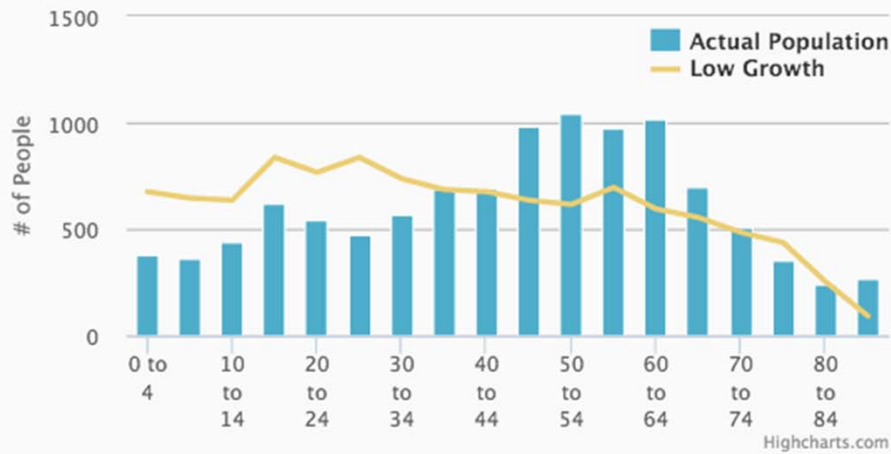
Dependency Ratio: [?](#)

59.46%

Top Industries (2013): [?](#)

- 1** Fish and Seafood Product Wholesaler-Distributors
166.5 Employees
- 2** Resorts
152 Employees
- 3** Salt Water Fishing
104 Employees
- 4** Museums (except Art Museums and Galleries)
74.5 Employees
- 5** Ambulance (except Air Ambulance) Services
69 Employees
- 6** Construction
39.5 Employees
- 7** Seafood Product Preparation and Packaging
37 Employees
- 8** General (except Paediatric) Hospitals
34.5 Employees

Demography ?



10,845
Total Population

Working Age: ?
69.99%

Dependency Ratio: ?
42.89%

Top Industries (2013): ?

- 1** Salt Water Fishing
1105.5 Employees
- 2** Seafood Product Preparation and Packaging
516 Employees
- 3** Peat Extraction
280.5 Employees
- 4** Supermarkets and Other Grocery (except Convenience) Stores
227.5 Employees
- 5** Nursing Care Facilities
226.5 Employees
- 6** Construction
194 Employees
- 7** Limited-service eating places
180.5 Employees
- 8** Holding Companies
127 Employees

Changing Local Economies (1)

- Resource based firms remain critical, but these now include outdoor tourism. Except for tourism the trend is towards more machinery and fewer workers.
- Service sector employment is now dominant. But, other than tourism, the service sector largely depends on local demand – limited growth potential, unless population grows.
- Tourism and traditional resource extraction can have conflicting implications for resource management.
- An aging population alters the demand for public services away from schools and training, and toward health care and assisted living. Requires new workers and new skills. Public service costs will increase.

Changing Local Economies(2)

- The key employment problem of a Labor Limited Economy
 - Replacing the current aging labor force requires either:
 - Higher wages to attract workers of similar skill from other regions, or
 - Investments in machinery to reduce labor requirements - new production process.
 - Both approaches increase the cost of production and may make firms less competitive.
 - The second approach is more likely to be successful, since attracting immigrants has had low success rates in rural regions.
- For the NSPA region it will be hard to attract migrants to a colder regions where access to services is more limited.

Changing Local Economies(3)

- Rethinking Economic Development as Active Labor Market Policy. Three dimensions of (ALMP):
 - Improving demand – encouraging firms to start or expand
 - Improving supply – ensuring the workforce is well qualified
 - Improving matching – connecting workers with open jobs
- Useful to think of local economic development strategies as being a form of ALMP – essentially same mechanisms.
- In the new economic and demographic environment where labor shortages demands for better skills, and mismatches are typical economic prosperity and possibly community viability depend on better local labor market strategies.

Connecting Employment with Community Viability

- For firms with growth opportunities a limited labor supply may constrain growth, which would lead to lost opportunity.
- Replacing labor with machinery may solve the problems of the firm, but it could lead to a smaller local population.
- Firm investment decisions hinge on cost of capital, quality of workforce and productivity gain. But quality of workforce hinges on quality of local schools and training programs, and on quality of life if immigrants are to be attracted. (link to public services).

Services and Community Viability

- People in OECD countries now have strong expectations of high quality services, irrespective of where they live, but there are additional challenges in rural regions.
- Public services are major sources of income and employment, but their provision often hinges on:
 - Regulatory requirements on how services are provided,
 - Service location choices by higher level governments, or
 - funding from higher level governments.
- Places with high quality local services are more attractive for firms and workers making location choices.
- Have increasing pressure to find better and more cost-effective ways to deliver services in rural regions.

Services and Community Viability

- Governments increasingly look for ways to reduce the cost of services by reducing funding, or reducing the number of places where services are provided, especially in rural areas.
- Lower quality services, or fewer services, make it more difficult to retain or attract workers and firms.
- At the the limit, the withdrawal of services from small communities with declining populations can lead to their extinction.

Service Delivery in Rural Regions

Social Contract – Society decides that all its people should have access to some minimal set of services as a right.

Usual Questions for Rural Service Delivery

- Which services are provided?
- How are services provided?
- Who pays for the services?
- Where are services provided?

Always more expensive to deliver services in rural regions – distance, density, lack of critical mass.

For agencies facing performance evaluation minimizing rural activity can increase rewards – more cost effective.

Emerging Question – At what point are services withdrawn from a community? – opportunity cost argument driven by increasing demands and scarce resources.



Sweden - Examples of Innovative Service Delivery

- Jamtland – Transvikiken community center that houses multiple public and private services including a: restaurant, chapel, post office, pharmacy and day care center.
- Vasterbotten – Integrated system of tightly-focused business incubators in Umea at Sliperiet
- Norbotten - Advanced tele-medicine systems for rural areas.
- Vasternorrland – Jointly owned association formed by municipalities to establish a single source provider of administrative services and professional training for members.
- Jamtland - Proposal in Ostersund for a co-operatively owned engineering services firm that will allow firms with small engineering staffs to pool their current staff and add new expertise to obtain better services. Firm will provide contact engineering for non-members.

Summing Up

- Problem of local development in rural areas is different from the past
 - Too few workers, not too many
 - Firms want workers with specific skills not general purpose workers
 - Technological change is reducing employment, even as value of output increases
 - Can no longer rely on national governments to support provision of public services, even as demand for services is increasing
- Successful local developments strategies now have to have three new elements
 - Finding ways to better manage local labor markets - ALMP
 - Finding new ways to deliver high quality public services
 - Managing local natural resource to meet new demands – amenity value vs. extraction

Asylum Seekers and Community Development

- Seen by many as the right thing to do, but also as a way to add new workers and improve the chances of community viability.

But a few questions should be asked:

1. Will people stay? Answer hinges on:

- Local employment prospects
- Degree to which integration into community occurs
- Alternative options

2. Employment Prospects? Most asylum seekers face the same problems as Swedish youth:

- Few jobs for unskilled
- Employers dubious about paper qualifications – need entry job
- Credentials may be harder to get than anticipated

3. What impact will integration efforts have on budgets for service delivery?