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**Guest editors' introduction: The impact of ageing and demographic change
on local government**

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Introduction

Pronounced and unprecedented population ageing is already a worldwide phenomenon and it is set to accelerate over coming decades (Carbonaro *et al.* 2016). As the population age composition changes and its spatial concentrations evolve (Davies and James 2016), the costs associated with public service provision, including local public services, will change significantly. This will have momentous implications for local government systems across the globe. However, despite the far-reaching impact of population ageing for local government, only a relatively modest effort has thus far been invested in investigating the effects of demographic change on municipal functions, infrastructure, services and finances. Similarly, comparatively little is known about the optimal policy responses to population ageing within the local government realm.

The global geography of demographic decline is complex (Bloom and Luca 2016). Indeed, given its multifaceted nature, population decline is critically dependent on underlying economic, political and social forces, which render it difficult to anticipate in practice (Kroll and Kabisch 2012; Haase *et al.* 2016). In essence, population decline typically exhibits two major demographic patterns: natural decline and negative net migration (Ubarevičienė, van Ham and Burneika 2016). These trends are often mutually reinforcing, especially in smaller regional and rural communities. From a local government perspective, this renders remedial policy intervention even more difficult since ageing frequently correlates with economic stagnation and a rising old-age dependency ratio. Moreover, since more skilled and younger age cohorts are comparatively more mobile, population decline is often characterised by a relative skills decline (Carbonaro *et al.* 2016).

These factors mean that demographic decline has an uneven impact on the functions of local government and its service provision (O'Brien 2016). For instance, population aging typically increases the demand for health services, especially in terms of disabled and elderly care services,

as well as local infrastructure requirements, particularly aged care facilities. At the same time, since demographic decline undermines the viability of local labour markets, it impedes the capacity of local authorities to deliver these services. Furthermore, the ability of local government to fund these services and the requisite local infrastructure steadily weakens (Lee, Kim and Park 2017). Local government thus becomes increasingly dependent on central government fiscal transfers and thereby subject to the vagaries of the national political will to finance interregional grant schemes.

It is widely recognised that public sector expenditure in advanced democracies continues to grow in response to population ageing (European Union 2018a). The increased costs of meeting the challenge of ageing populations has major implications for the budgetary management of the subnational governments responsible for providing services to older people. At a time when they are already under fiscal stress, local authorities are confronted with rapidly increasing demands for costly and resource-intensive long-term care and support for the elderly (Institute for Fiscal Studies 2017). These dramatic changes in the need to provide more services for older people - and concomitantly dwindling resources to do so - have led policymakers across the globe to identify ageing populations as a major risk to the financial sustainability of government organizations (see, for instance, European Union 2018b; International Federation of Accountants 2012). Indeed, evidence is emerging of the threat that population ageing poses for the fiscal health of municipalities in many countries (Hagen and Vabo 2005; Kim 2018; Rodriguez-Bolivar *et al.* 2016). To date, these challenges have been met through alterations to grant funding formulae (Darton *et al.* 2010), cuts to other services (Kiewiet and McCubbins 2014), contracting out elderly care provision where possible (Stolt *et al.* 2011) and through co-production with local community groups (Buffel 2018).

Increased involvement of private and non-profit providers in the provision of services to older people has often been seen as a panacea for the growing costs associated with population ageing. In the local government systems of many European countries, contracting out of elderly care services now involves a wide range of private and not-for-profit providers and accounts for vast sums of money (Costa-Font *et al.* 2017). However, ongoing concerns over the cost and the quality of the services provided by contractors (Hansen 2010) have led many local governments to remunicipalize social services, through various processes, including nationalisation, corporatization and mutualisation (Kishimoto and Petitjean 2017). In addition to these developments, there has been a growing appetite amongst local and national policy-makers for alternative approaches to meeting older people's needs through such means as integration with healthcare service providers (Billings and Leichsenring 2006) and the co-production and personalisation of services (Hunter and Ritchie 2007). As well as having a key role to play in coordinating all of this activity, local government needs to establish governance structures that can ensure older people's interests are properly represented (Everingham *et al.* 2012).

National perspectives

Against this background, the central aim of this Special Issue is to gather scholarly perspectives from different countries on the implications of population ageing for local government and the best ways to meet those challenges that arise as a consequence. Contributors to the Special Issue approached these questions in different national contexts from a variety of conceptual and empirical perspectives. We briefly summarise each contribution and then offer some suggestions for future research in the area.

In his contribution, Luiz de Mello offers a cross-country empirical perspective on the impact of population ageing on preference formation and political participation in local democratic processes. Following insights in the empirical literature that community attachment and personal preferences vary with age and that this in turn influences people's ability and willingness to shape local government policy through participation in the political process, de Mello employs individual level data taken from the World Values Survey to examine lifecycle changes in community attachment and political participation. He finds that both attachment and participation rise with age in a non-linear fashion. These empirical results are robust with respect to differences in individual attitudes to democracy, trust in government and personal experience with major political and institutional changes involving factors like democratic transition and fiscal decentralisation. In policy terms, the de Mello contribution offers useful empirical insights into lifecycle effects of ageing on community attachment and political participation. An informed understanding of these factors can lead to improved policies to promote attachment and political engagement. This in turn can assist older people to stay healthy and be active in local affairs, thereby enriching local policy development with their experience and expertise.

In his paper, Harry Kitchen considers the problem of population ageing in the context of Canadian local government through an empirical analysis of the Ontario local government system. The analysis is informed by an empirically based assumption that nowadays a smaller proportion of elderly people are poor compared with other younger age cohorts. This raises challenging questions about the optimal approach to funding municipal services. For example, many aspects of the traditional local government approach to financing its operations employed various discounting mechanisms, such as discounting user fees and charges and reducing property taxes to seniors. Kitchen argues that under a benefit principle based model of local public finance

subsidies of this kind are both inequitable and inefficient. Instead local user fees and property taxes should be set at the same level for all local residents so that they meet all capital and operating costs. Similarly, any financial assistance to older residents living in poverty in terms of user fee and property tax relief should be means tested against income in the same manner as for any other group and funded by direct targeted transfers from higher tiers of government. Moreover, Kitchen contends that higher tiers of government should extend additional taxation powers to local government, including local sales taxes, to give local authorities extra revenue-raising capacity and greater flexibility.

In his contribution, Dennis de Widt empirically examines recent trends in the reserves held by all categories of English local government, the determinants of these trends, and the degree to which they have been affected by demographic changes and attendant changes in the composition of local services, especially in social care, using panel data on 394 local governments over the period 2005–2016. De Widt highlights how local governments with aging populations carefully husbanded their financial reserves in the years following 2010 when the sector as a whole experienced considerable fiscal stress. This strategy has been implemented, in particular, to protect themselves from the uncertainty posed by the weakening of the inter-governmental grants system in the UK, and the ensuing loss of revenue that has resulted. However, as pressure continues to grow on local governments to meet their statutory responsibilities towards elderly and vulnerable adult populations, many of those governments have only been prevented from deploying their reserves *en masse* through risky investments in commercial property. The UK central government has now sought to better control these local investment strategies, by restricting lending from the Public Works Loan Board to capital rather than financial projects. Nevertheless, De Widt concludes that the combined impact of population aging on service demands and the Covid-19

crisis on commercial ventures presents an especially significant threat to the financial sustainability of local government in England.

In their paper, Pekka Valkama and Lasse Oulasvirta deal with the manner in which Finland has sought to address the problems afflicting local government that have been engendered by an ageing population. In Finland, local government comprises a large number of comparatively small local councils that enjoy a high level of autonomy and provide a wide range of services. Significant demographic ageing has occurred with substantial adverse consequences for local government. Valkama and Oulasvirta argue that Finnish public policymakers have tackled these problems through a combination of structural changes in local government and modifications to the grant equalisation system. In terms of structural change, centrally subsidised compulsory and voluntary municipal mergers, intermunicipal cooperation and shared services have been adopted to lower costs and improve efficiency. The intergovernmental grant system, based on an equalisation principle, was modified to better address the differential financial capacities of individual local authorities. Valkama and Oulasvirta empirically examined the effects of these two public policy interventions in terms of their impact on local government decomposed into two municipal categories based on their age profiles. While municipal mergers have not produced their intended cost savings, intermunicipal cooperation has spawned efficient flexible shared service programs. Moreover, Valkama and Oulasvirta find that modifications to the Finnish grant system had been effective in equalising the earlier substantial differences in the financial ratios between the two categories of local government. They conclude that taken together these policies have been successful in ameliorating many of the adverse consequences of demographic ageing.

In their contribution, Masato Miyazaki and Joseph Drew consider the problems involved in assessing the merits of alternative policy proposals aimed at addressing the myriad of financial

and other pressures on local government generated by an ageing population in the empirical context of contemporary Japanese local government. Compared with other developed countries, demographic ageing is more advanced in Japan. Much can thus be learned from the Japanese local government experience. Miyazaki and Drew draw on the policy evaluation literature in order to examine the efficacy of policy interventions intended assist Japanese local government to meet the fiscal challenges that flow from population ageing. They invoke a tripartite approach by examining public policies through a ‘process lens,’ a ‘political lens’ and a ‘programmatic lens’ in order to evaluate the degree of ‘policy success’. Two innovative Japanese policies are considered: the ‘lifetime activity town’ policy, which involves the transfer of elderly people to rural towns to live in continuing care retirement to stimulate regional economies, and the mandatory registration of inherited properties, which seeks to limit the number of dwellings that are simply abandoned when their owners die and then become a burden on local councils. Miyazaki and Drew conclude by evaluating two additional potential policy proposals – modifying Japanese intergovernmental grant formulae and the removal of unwanted property and infrastructure – to further demonstrate the utility of the policy success framework.

In their paper, Diogo Ferreira, Paulo Caldas and Rui Marques tackle the question of how demographic ageing has affected the performance of local authorities in Portugal. In common with most developed countries, Portugal is undergoing profound demographic change, especially in terms of ageing. It is thus critical from a public policy perspective to determine whether population ageing is indeed a significant determinant of local government performance. Ferreira, Caldas and Marques break new ground in empirically examining this universally held assumption using sophisticated econometric modelling of 2018 data on the 308 Portuguese local councils. In particular, they investigate the impact of population ageing on the performance of municipalities

on four dimensions - (a) governance, (b) government effectiveness, (c) economic and social development, and (d) financial sustainability - embodied in a single weighted Council Sustainability Index (CSI). They find that while municipal population age can explain only a comparatively small proportion of aggregate municipal performance, local resident longevity and the proportion of retirees and pensioners in a given council area are detrimental to municipal performance (specifically in terms of socio-economic development and financial sustainability).

Finally, in their contribution Mildred Warner and Xue Zhang consider the impact of population ageing and demographic change on local government in the United States. More specifically, using the empirical information provided by the *Planning across the Generations* national survey of local governments that contains the most recent data on American municipal efforts to establish more 'age-friendly communities', Warner and Zhang focus on determining which factors differentiate those local governments that provide a wider range of services for seniors and children from their more narrowly concentrated counterparts. In their empirical analysis, they find that two factors are critical importance in differentiating local communities that have more services available to seniors and to families with young children: collaboration and the engagement of seniors and families with children. Of these two factors, collaboration represented the key determinant. It was proxied by 'inter-agency partnership' measuring the number of agencies engaged in cross-agency partnerships to serve children or seniors. Information on services provided by multiple institutions and trust in community institutions were pivotal in strengthening collaboration in service provision.

Directions for future research

The seven papers contained within this Special Issue of *Local Government Studies* provide a wealth of thought-provoking insights into the complex multi-faceted influence of population ageing and demographic change on contemporary local government. Moreover, these papers suggest numerous potentially fruitful avenues for future research. For example, while de Mello concentrated on community attachment and political participation by older people, analogous cross-country studies could examine other aspects of the problem, such as the financial role of higher tiers of government in supporting and equalising the capacity of local authorities to efficaciously address population ageing. As we have seen, in the case of Finland fiscal equalisation through grant programs appeared to be most effective. Moreover, Kitchen presented a strong conceptual and empirical case for transfers from central and provincial governments to tackle equity concerns at the local government level. Another promising line of inquiry would be for empirical scholars to investigate the potency of population ageing as a determinant of municipal performance in the same vein as Ferreira, Caldas and Marques and de Widt. In addition, whereas these studies have all examined population aging centred on the proportion of older residents, as Warner and Zhang have demonstrated, much the same can be done with the percentage of children. Finally, the innovative approach to public policy evaluation advanced by Miyazaki and Drew is readily applicable to local government systems in any country.

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