Demographic and migration trends in the outermost regions: impacts on territorial, social and territorial cohesion?

EXECUTIVE SUMMARY - CANRY ISLANDS

Dirk GODENAU (coordinator)
Serafín CORRAL QUINTANA
Paloma LÓPEZ-REILLO
José Luis RIVERO CEBALLOS
Vicente Manuel ZAPATA HERNÁNDEZ

This document was ordered by the European Commission, Directorate General for Regional Policy

The study was conducted by:

Claude-Valentin MARIE (Ined)
Responsable de projet
Jean-Louis RALLU (Ined)
Coordinateur

Editor: Coordination of Outermost Regions Unit (EN)

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Objectives of the study

Following its Communication "The outermost regions: an asset for Europe", adopted on 17 October 2008, the Commission aims, in this study, to improve knowledge of the impact of demographics and migration in the ORs by:

* A description and analysis of the specific demographic and migration dynamics of each of these areas, and of expected trends in the short and medium terms;
* An analysis of the resulting issues at stake - taking into account the disadvantages they face, as listed in Article 299.2 of the Treaty - for the economic and social cohesion of these territories and the European Union.

As mentioned the Communication, this study takes into account the specific context of OR, marked with the speed of demographic and migration changes, and hope to meet "the need for information and reliable projections of these changes in order to integrate them into the land management policies".

"The Outermost Regions of the European Union are islands or archipelagos in the Caribbean (Guadeloupe, Martinique, St Martin), Atlantic (Canaries, Madeira and the Azores) and the Indian Ocean (Reunion), except for Guyana, which is a small enclave in the Amazon region.

In 1997, the Treaty of Amsterdam introduced the legal basis of the concept of the Outermost Regions.

It was consolidated and strengthened by the Lisbon Treaty (Article 349, 107 (3) (a) TFEU.), which recognizes the special character of the ORs and the need for specific actions to promote their development."

Participants to the study:

Dirk GODENAU (coordinator)
Serafin CORRAL QUINTANA
Paloma LOPEZ-REILLO
Jonas Roux (INED)
Jose Luis Rivero Ceballos
Vincente Manuel Zapata Hernandez
Sara Magdalena Armas (Technical assistance)

Universidad de La Laguna, Islas Canarias

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<th>CANARY ISLANDS</th>
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<th>EU27</th>
<th>Min</th>
<th>EU27 AVERAGE</th>
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<td>1.0</td>
<td>-1.1</td>
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<td>2.7</td>
<td>1.7</td>
<td>-3.8</td>
<td>4.5</td>
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<td>3 Population growth rate, 2008 (%)</td>
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<td>2.7</td>
<td>1.0</td>
<td>29.1</td>
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<td>4 Total fertility rate, 2008 (children)</td>
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<td>1.6</td>
<td>1.2</td>
<td>3.6</td>
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<td>5 0-14 year olds (%)</td>
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<td>15.6</td>
<td>14.9</td>
<td>35.1</td>
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<td>6 65 and + year olds (%)</td>
<td>13.3</td>
<td>17.4</td>
<td>3.8</td>
<td>17.4</td>
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<tr>
<td>7 Foreign-born population* (%)</td>
<td>19.7</td>
<td>/</td>
<td>1.9</td>
<td>32.4</td>
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<tr>
<td>8 Ageing index (for 100 young persons)</td>
<td>84</td>
<td>111</td>
<td>11</td>
<td>111</td>
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<tr>
<td>9 Dependency ratio (%)</td>
<td>38.4</td>
<td>48.8</td>
<td>38.4</td>
<td>64.1</td>
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<td>1 30-34 year olds with 3ary diplomas (%)</td>
<td>32.1</td>
<td>32.3</td>
<td>11.8</td>
<td>32.3</td>
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<td>2 School failure rate (%)</td>
<td>15.3</td>
<td>14.1</td>
<td>14.1</td>
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<td>Economic</td>
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<td>1 Employment rate (20-64 year olds), 2010 (%)</td>
<td>54.9</td>
<td>68.5</td>
<td>50.0</td>
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<td>2 Unemployment rate (&lt; 25 year olds) (%)</td>
<td>52.0</td>
<td>20.1</td>
<td>15.1</td>
<td>62.2</td>
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<td>3 Services wage workers (%)</td>
<td>81.1</td>
<td>69.0</td>
<td>63.4</td>
<td>81.4</td>
<td></td>
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<tr>
<td>1 PPP GDP per capita (euros)</td>
<td>22 609</td>
<td>25 100</td>
<td>12 400</td>
<td>25 800</td>
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<tr>
<td>2 3ary sector as % of added value* (%)</td>
<td>81.0</td>
<td>/</td>
<td>74.9</td>
<td>84.5</td>
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<td>Housing</td>
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<tr>
<td>1 &quot;Poor&quot; housing* (%)</td>
<td>/</td>
<td>/</td>
<td>5.9</td>
<td>20.4</td>
<td></td>
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<tr>
<td>2 Monoparental families* (%)</td>
<td>27.8</td>
<td>/</td>
<td>14.1</td>
<td>48.4</td>
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<tr>
<td>3 Families with children and no adult in employment* (%)</td>
<td>/</td>
<td>/</td>
<td>28.3</td>
<td>39.1</td>
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<td>Health</td>
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<tr>
<td>1 Life expectancy (years)</td>
<td>81.5</td>
<td>79.4</td>
<td>75.2</td>
<td>81.5</td>
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<td>2 Infant death rate (%)</td>
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<td>4.3</td>
<td>2.7</td>
<td>13.0</td>
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<td>3 75 years old and above (%)</td>
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<td>8.2</td>
<td>1.6</td>
<td>8.2</td>
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<td>Projections</td>
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<td>1 Annual population growth rate*, 2010-2020 (%)</td>
<td>3.4</td>
<td>/</td>
<td>0.7</td>
<td>33.4</td>
<td></td>
</tr>
<tr>
<td>2 Old age dependency ratio*, 2030 (%)</td>
<td>33.4</td>
<td>/</td>
<td>12.3</td>
<td>50.4</td>
<td></td>
</tr>
<tr>
<td>3 Growth of 1/ary school age population*, 2010-2020 (%)</td>
<td>-5.8</td>
<td>/</td>
<td>-17.5</td>
<td>31.5</td>
<td></td>
</tr>
<tr>
<td>4 Growth of 2ary school age population*, 2010-2020 (%)</td>
<td>8</td>
<td>/</td>
<td>-12.3</td>
<td>30.2</td>
<td></td>
</tr>
<tr>
<td>5 Growth of the population &gt; 75 years*, 2010-2030 (%)</td>
<td>77</td>
<td>/</td>
<td>36</td>
<td>246</td>
<td></td>
</tr>
<tr>
<td>6 Growth of the number of households*, 2010-2020 (%)</td>
<td>11.1</td>
<td>/</td>
<td>8.6</td>
<td>43.1</td>
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Source: Jean-Louis Rallu
1. SITUATION ANALYSIS

DEMOGRAPHIC TRENDS

The Canary Islands region is the most populated of the Outermost regions. Recent trends have further increased this status within the OR. Natural growth scarcely contributes to the population increase since, following two decades of convergent trends, birth and death rates are at a similar level. Migration trends have transformed over recent decades, meaning that the Canary Islands have ceased to be a land of emigration and have become an important immigration destination at the southern limit of the European Union.

Recently, there has been high population mobility at all scales: external and internal, permanent, temporary or circular. This mobility has impacted Canary Islands society in various ways. It has been the principal cause of population growth, although unevenly distributed throughout the region. Meanwhile, the population has continued to age, even if at a lower rate.

Population densities are quite high in the archipelago, particular if we consider only those parts of the islands that are inhabitable. Most of the population lives on the islands on which the provincial capitals are located, Tenerife and Gran Canaria. These aside, there are notable contrasts between the eastern and western islands.

Convergence between the demographic characteristics of the Canary Islands and Spain is increasing, largely owing to immigration. Population issues have become central in public debate in the region, as a result of the multiple effects of recent change on the various aspects of everyday life.

EDUCATION AND ITS RELATIONSHIP TO ECONOMIC ACTIVITY

Education

The education system in the Canary Islands is less efficient than in Spain as a whole. This becomes evident from numerous indicators, such as the rates of people having obtained the compulsory education certificate (ISCED 2), the post-compulsory education certificate (ISCED 3) and higher education certificates (ISCED 5A, 5B and 6). Likewise, the rate of early school-leavers is 35% of the population between the ages of 18 and 24. This means that the region falls short of the 2020 objective, aiming to reduce school drop-out rates to 10%. Those concerned are particularly men, who have lower education certificate rates and a higher rate of early school-leavers (over 40%).

The causes of this shortfall must be sought both within and outside the education system. The causes within the system are related to management, resources, teacher training, limited use of innovations, insufficient research in education, inexistent transfer of knowledge, educational practices which are ill-adapted to the demands of skill acquisition, etc. Among the external causes are low levels of standard education, the influence of low education levels within families, and the availability of unskilled work over past years, among others.

Demographic increase, largely resulting from immigration, has impacted upon pupil numbers (ISCED 1 and 2). Thus the number of young people in education at the beginning of the 2007-2008 school year was higher than in previous years. There had been a drop in numbers in the 1990 owing to the reduction in natural growth. There has been an increased demand for school places, in particular in Fuerteventura, because of new arrivals from the Peninsula.

The Canary Islands thus are confronted with a set of serious challenges. These will be determinant for their future development, both in the long and short term. If we recall the ambitions of the Social
and Political Pact for Education by 2020-2025, 85% of the active population will need training equivalent to at least the intermediate vocational training level or to post-compulsory education certificate level (ISCED 3).

The relationship between education and economic activity

There has been significant expansion in labour supply over the last fifteen years. This has been stimulated by demographic growth and increasing activity rates. The increase in economic activity rates is the result of both the rise in female activity rates and of input from labour migration. The Canary Islands born labour force is ageing, due to the low fertility rates since the 1980s. Immigration has increased the volume at the younger end of the labour force, with migrants from outside the EU contributing most. Employment and unemployment have seen successive periods of expansion and reduction, generated by short economic cycles. Thus the apparently stagnant period of work productivity has been characterised by an erratic pattern in the demand for labour.

Skill levels reflect generational effects. The younger generations are better skilled even if, in comparative terms, the labour market is characterised by a lack in skill levels. The current economic crisis is generating very high unemployment rates, the Canary Islands being one of the most seriously affected Spanish regions. Those having most recently entered the labour market are particularly affected (the young, women and foreigners). Foreign migrants from outside the EU commonly work in the secondary segment of the labour market, on short-term contracts, with higher risk of unemployment and lower wages.

Considering occupations by sector, the tertiary sector has increased its share in the economy. Meanwhile, for structural reasons, the farming sector has lost jobs and the industrial sector holds less importance than on the national level. During the period of economic growth, from 1994 to 2007, the construction sector accounted for most jobs. However, the current crisis has drastically reduced its position. It is in this sector, in addition to some parts of the service sector, that the proportion of low-skilled jobs is the greatest. Immigration contributes highly to this labour force.

Skill levels have been improving, owing to the higher level of education of the younger generation. For immigrant labour there is the problem of recognition of qualifications, making access to some jobs difficult. Female labour has increased in most sectors, whatever the age group. However, most women work in the service sector or as salaried workers in administration or technical jobs.

The Canary Islands labour market is characterised by temporary contracts, particularly amongst the young, women, immigrants and low skilled workers. The recent fall in such types of contract is explained by the selective removal of temporary posts from the job market during the crisis, rather than by the success of various reforms aiming to encourage longer-term contracts.

All the indicators of effective dependency of the young, adults and the aged population decreased up until 2007. This was the result of increasing activity rates, falling unemployment, upward trends in job creation, and the high proportion of the working age population, now better skilled. However, the economic crisis brought a halt to these trends, through increasing unemployment and the reduction in jobs. A net reduction in job creation is expected over the coming years, combined with persistently high unemployment rates and increasing numbers of students staying on in education after the official school-leaving age.

In summary, activity rates are expected to continue increasing, even if at a lower level than during the last decade. Female activity rates will continue to rise, as a result of generational effects, whilst the contribution of immigration to overall economic activity rates will diminish. As a consequence of
massive unemployment and the reduction in the upward trend in activity within the working age population, the rise in employment rates will decelerate.

THE ECONOMY

The economy of the Canary Islands went through several periods of high and low growth rates, with an approximate duration of about five years. These had considerable repercussions on employment. Job creation largely contributed to economic growth. In the expansion phases, employment grew substantially, whilst during periods of moderate growth, it declined sharply. Demand for labour during the most recent phase of expansion was satisfied by increased flows of population for the other Autonomous Communities and from abroad (whether from inside or outside the EU). The stronger growth in areas of the Archipelago that previously have been economically disadvantaged produced a favourable context for such population mobility.

The economy has been characterised most recently by:
- Substantial employment losses and increasing unemployment due to the economic crisis;
- Counter-cyclical productivity patterns;
- After reaching levels close to those of the whole of Spain and the EU by the end of the 1990s, the GDP level has since fallen back;
- A high level of specialisation and diversification;
- Public spending in education and health increased continuously until the beginning of the economic crisis;
- The social insurance system has seen increases in spending and in the number of people insured;
- Spending on unemployment benefits has increased due to rising unemployment;
- Capital and other transfers from the State to the Canary Islands have increased over the last two decades but have been reduced since the beginning of the economic crisis;
- The balance of payments of the Canary Islands is traditionally negative;
- The Canary Islands have been attractive to outside investment;
- The contribution of the population to economic growth was remarkable during the last two decades but has fallen off since the start of the economic crisis;
- Natural population growth greatly contributed to the increase in the GDP during the 1990s, but has diminished since 2000, since when the input of the arrival of foreign immigrants has been particularly significant;
- The combined contribution of demographic trends and employment rates to economic growth is currently negative, due to the slow rise in GDP, the fall in employment and limited changes in population trends.

HOUSEHOLDS AND HOUSING

Demographic growth and changing lifestyles have led to a reduction in household size. The proportion of one-person or single-parent households has increased, the former being a consequence of population ageing and the latter related to increased divorce rates and births outside marriage.
- The household reference persons have lower unemployment rates and higher education levels than on average within the resident population;
Half of households including foreign immigrants include people of Spanish nationality; whilst the remainder are mostly persons of the same nationality; The structure of households headed by a person from elsewhere in the EU differs from the usual structure of households headed by non-EU immigrants insofar as they are older and smaller in size; The differences in household structure between the islands of the archipelago are largely the result of inter-island migration or movement from outside the region.

The housing market in the Canary Islands is characterised by a low proportion of rented property and, as elsewhere in Spain, by a sharp rise in housing prices during the last phase of economic growth.

- The second home market has expanded rapidly over recent years owing to both internal and external demand;
- Access to home ownership has been halted by high prices as well as, for a portion of the population, insecure employment or unemployment. High levels of credit uptake linked to long-term loans, is leading to increased pessimism of households during the current economic crisis;
- Apart from EU nationals, the immigrant population lives more often than Spanish households in rented dwellings. Home ownership is particularly infrequent amongst immigrants originating from Africa.

**HEALTH**

Life expectancy in the Canary Islands is below the Spanish average but above that for the whole of the EU. The lower crude mortality rates in the Canary Islands are due to relatively lower ageing of the population. Diabetes features as an important cause of mortality, with a rate twice that for Spain as a whole.

As regards numbers of medical staff, the Canary Islands are less well provided for than Spain. However, the region has a higher number of hospital beds per 1000 inhabitants. Whilst the number of hospitals has diminished over recent years, the number of primary health care centres has risen slightly. Furthermore, application of the State Dependency Act has encountered serious obstacles in the Canary Islands, despite similar levels of handicap as covered by the act.

Foreign immigration in the Canary Islands has led to a rise in the number of non-Spanish beneficiaries of the health services. A proportion of the foreigners from EU states have health cover from their country of origin. Generally, foreigners have less recourse to health services in the islands, which is unsurprising given the younger average age of the population.

**ENVIRONMENT, ENERGY**

Private modes of transport predominate in the region. It is used five times more than journeys using public transport. The Canary Islands use private vehicles more often than on average in Spain, both in terms of the numbers of vehicles and in the distances covered. The number of passengers using air or sea transport has risen steadily over the last decade, as has the volume of freight traffic. The selective collection and disposal of solid refuse is at a level below the national average. The floating population brought in by tourism increases the production of waste, but the exact quantity is unknown.
In general, the volume of drinking water provided and of water consumed has been increasing over the last decade. Annual consumption by households is at the national level, but the unitary value of water is higher in the Canary Islands. Desalination plays a key role in water provision, before surface or underground water sources. Particularly notable is that 85% of water resources are privately managed.

Crude electricity production increased until 2008. Energy consumption rose over the same period (until 2007). Each island within the region, apart from Fuerteventura, manages its electricity production independently. Such a system, which does not optimise economies of scale, increases production costs.

**POVERTY, VULNERABLE GROUPS**

Poverty and income inequalities are considerably high in the region. Recent economic growth has not reduced inequalities and the current crisis is further exacerbating them. The proportion of households and of individuals living in relative poverty is higher than the national average, the Canary Islands ranking fifth out of 17 regions. The situation has worsened recently. The average annual income of the immigrant population is lower than the average for people of Spanish nationality, the gap being particularly significant amongst men. Although illegal workers are not included in official statistics, the social vulnerability of undocumented immigrants is presumed to be particularly severe.

Social integration of foreigners in the Canary Islands is a heterogeneous and segmented phenomenon. Occupational integration and the economic position of immigrants are indicators of their needs and the possibilities of successful integration. The current economic crisis is worsening the occupational circumstances of people migrating from outside the EU. Furthermore, high prices in the housing market and the insufficient supply of rented housing lead to high individual housing budgets and difficulties in access to decent housing for newcomers – and also native Canary Islanders – on low incomes. Finally, the undocumented status of a considerable proportion of non EU immigrants incurs additional challenges to integration linked to specific vulnerability and the risk of social exclusion of this group.
2. THE IMPACTS OF DEMOGRAPHIC TRENDS

DEMOGRAPHIC FORECASTS

The results of demographic projections between 2010 and 2030, both for the closed and open scenarios, clearly indicate the ageing process underway in the Canary Islands. This will produce different effects in economic and social terms and will form one of the major challenges to a society which has improved general levels of well-being.

It must be said that this not the most appropriate time to be forecasting future demographic trends, whether in the Canary Islands or elsewhere, since the international crisis has generated a climate of uncertainty which feeds down into various sectors of society. Should the crisis prolong, it will be necessary to constantly revise forecasts after adjusting hypotheses in reaction to most recent demographic trends.

EDUCATION

The principal change in compulsory schooling in the Canary Islands will be the fall in the primary school population from 2016, which will continue through to the secondary school population from 2021 and, according to projections, will culminate in 2030 with lower numbers in education than in 2010.

The 10% reduction in drop-out rates, a fixed EU objective for 2020, will be impossible to achieve as this would imply a reduction rate of 2% per annum. Similarly, the 15% reduction aimed for by the Spanish state is too ambitious. The situation is worsened by the fact that 35.9% of young people do not leave school with certificates. The causes of the stagnating rates are probably a combination of individual and institutional factors. It is without doubt that urgent steps must be taken to set up an overall strategy to, on the one hand, improve the proportion of pupils obtaining the final certificate after compulsory schooling and, on the other, encourage young people to continue their education after this level.

Although the 2020 Objective fixed a rate of 40% of people aged 30-34 years with higher education certificates, in reality this objective seems difficult to attain. The current rate is 21 percentage points below the national average. The high rate of young people dropping out of school is a major obstacle to improving average education levels. The key to increasing success rates, enabling the Canary Islands to approach the objective, is adapting the Spanish university system to the new European higher education system (EEES), in addition to continuing the modernisation process under the 2015 University Strategy.

THE LABOUR MARKET

According to the combination of demographic scenarios and hypotheses on future economic activity rates, population dynamics are unlikely to contribute decisively to expanding job opportunities in the Canary Islands over the coming years. This is due to the fact that the open scenario forecasts low net immigration in the near future, migration trends being influenced by the economic crisis. Under the hypothesis of stable activity rates, the economically active population of the Canary Islands could even decline between now and 2030.

In consequence, a rise in job opportunities will depend in the near future on increasing activity rates. In contrast to recent years, immigration will not contribute to stimulating the job market. Activity
rates will continue to rise, as there is a potential for female activity rates to increase, being lower than the EU average and far below countries with the highest activity rates for women.

The high unemployment rates generated by the economic crisis mean that employment rates will be considerably lower than the EU 2020 objective. The Canary Islands economy is unlikely to be able to create enough jobs to reach the objective, given its lack of flexibility in reaction to the crisis. The UE27 open scenario predicts a total reduction in unemployment in the Canary Islands. However, 20% of the active population is currently unemployed (310,000 persons according to the EPA survey for the third quarter of 2010).

Clearly the economic uncertainty makes any evaluation of future trends very difficult. The potential of job creation will depend on the speed of economic recovery in Spain and the Canary Islands. Nonetheless, it is unlikely that 2020 unemployment levels will have fallen back to the 2006 level. The estimations given above do not take into consideration skill levels, which are doubtless an important aspect. Skill levels are affected by the inefficiency of the education system, with its high levels of drop out and failure. If new jobs that are created over the coming years require better training, the weaknesses in the school system will constitute an additional problem in the equation between skill levels within the population and those required by the job market.

Consequently, low skilled workers will find greater difficulties in securing a job in the Canary Islands labour market. One of the main challenges in labour policy in the islands is to raise the level of training, in particular the targeting of workers having lost jobs in the building sector or private service sector.

HEALTH

The greatest challenge facing the Canary Islands health system in the near future is not so much population growth as ageing. Demographic forecasts show that the 65 years and over population will increase substantially over the next two decades. Hospital morbidity rates and dependency rates indicate a close relationship between advance in age and use of hospital services. The elderly population, at least in part, is concerned by the Spanish Dependency Law.

The estimations predict a strong increase in health services specifically aimed at the most elderly population. Growth in demand within this sector is expressed not only in quantitative terms. The greater prevalence of chronic disease within the aged population raises challenges in terms of adaptation of the organisation of health services. The decentralisation of certain services and infrastructures, the consolidation of social and health services for the aged and also progress made following the implementation of the Dependency Law are each important targets to meet.

The fact that the Canary Islands have to catch up with the national average with respect to a number of health indicators implies that the challenges are even greater. Demographic growth from 1996-2007 has been very demanding on resources. Thus the present context, with its lower growth rates, is an opportune moment to consolidate infrastructure and human resources, particularly in preparation for future population ageing.

HOUSING AND HOUSEHOLDS

The housing market in the Canary Islands considerably expanded during the last phase of economic growth. This was encouraged by population growth and increasing household incomes. The current crisis brought this trend to an abrupt halt, resulting in surplus new housing. Moreover, increasing
prices during the period of economic growth generated problems in access to housing for the young and low-income families.

Demographic forecasts predict a slowing in demand. The delay in economic recovery and the insufficient adjustment of prices mean that there has been slow take-up of surplus housing. It is likely that the average size of households will fall over the next few years, leading to a corresponding increase in the number of people heading households. Low fertility, reduction and delay in marriage, as well as high divorce rates are decisive factors in the growth of demand in housing (for permanent residency).

Another aspect which must not be overlooked is demand from outside the region. It is likely that demand for housing from citizens of other EU countries will start to increase again more quickly than local demand. This is unless the propositions made by some of the local politicians, to reduce access of EU citizens to residency in the islands, are taken up.

**ECONOMY**

The economic crisis that began in the United States in the summer of 2007 reached the Canary Islands in 2008, leading to a halt in the rise of the GDP followed by two years of negative growth. The first results of the Spanish regional accounts, published by the national statistics institute show a -0.8% rate of growth for 2010. Moderate growth is forecasted for 2011 and 2012.

Amongst available indicators of short-term growth, the demand for tourism services is one of the most significant. This demand has been on the increase since August 2010, particularly during winter 2011 following the socio-political conflicts in Tunisia and Egypt. However, the continued demand for tourism depends on the growth of the German and British economies which, in the case of the latter, is still weak. For evident reasons, demand from the rest of Spain has been low. The demand for labour in the sector will be low over the coming years, even taking into account recent experience of the flexibility of employment compared to the growth in GDP.

The fall in public revenues has been dramatic in the Canary Islands. The entire income from the regions specific economic and fiscal regime, from State revenue and local state investments have been severely reduced since 2008. Adjustment policies since May 2010 led to a reduction in State participation in the Autonomous Community budget and so a lower debt capacity. The deficit is subjected to stability criteria set by the state within the framework of the Economic and Monetary Union. These criteria stipulate that the deficit should decrease within all sectors of public administration from 11.7% in 2009 to 3% in 2013. In accordance with this overall objective, each Autonomous Community officially adopted its own objectives in September 2010. The Canary Islands authority foresees a deficit of 1.3% of the GDP during 2010 and 2011 and 1.1% for 2013.

The HERMIN model simulations carried out to analyse the impact of EU policies on the Canary Islands economy, based on the 2005-2007 period, indicate that a scenario without investment would reduce real growth in production by 0.1%. This would mean a real reduction in per capita income. Employment would increase at an average annual rate of 0.76%, as against 0.78% with investment. The unemployment rate, based on accumulated annual growth would be 7.78% with investment and 7.84% without. For productivity of labour, the respective rates would be 0.54% and 0.47%.
NATURAL RESOURCES

Urgent measures are necessary to increase the efficiency of water consumption, as it will increase substantially over the next decade. This is clearly so under the open scenario. The closed scenario predicts a change in consumption behaviour from 2019-2020 onwards, resulting in rates in 2030 that will be below current rates. Consumption generated by economic activity must be added to this household consumption. Industrial consumption rates will account for 25%-30% according to the economy recovery of the islands.

It must be stressed that should consumption outstretch the capacity of the water table, the loss of water quality and repercussions in other domains, such as drought, could have lasting and irreversible consequences. In addition, the uncertainty surrounding impacts of global warming is another risk difficult to estimate.

With respect to urban waste, a downward trend has been observed. This is particularly evident in the more optimistic scenario, towards which the Canary Islands must direct their energies given that the current level of waste is higher than the national average. The island environment of course complicates the management of waste. According to the National statistics institute, the Canary Islands have already reached the 2015 objective in terms of paper and packaging waste disposal, but not yet for glass disposal.

The Canary Islands should strive to reach the EU objective of 20% of energy production from renewable sources by relying principally on wind turbines. However, trends in electricity production during the 2001-2009 period show that the proportion of production from renewable sources has decreased. This trend must be reversed over the next few years, not only to meet the 2020 EU objectives but also because the present lack of autonomy of the islands in relation to non-renewable sources cannot be tolerated for much longer, either from a strategic or environmental point of view.
3. COHESION: RISKS AND OPPORTUNITIES

It is difficult to clearly distinguish the positive and negative components when describing the regional profile. For this reason, the following commentary will combine both and the interactions between the two. The arguments are based on the results of the analysis. However we will raise issues that do not have a direct relationship with demographic issues.

- The economic crisis has led to a sharp rise in unemployment and putting at risk social cohesion and increasing the demand for social services.
- The crisis has abruptly placed the 2020 employment objective out of reach. Regeneration of job creation will be slow and it is unlikely that the Canary Islands will achieve unemployment rates below 10% at the end of the second decade of the 21st century.
- Non EU immigrants have higher unemployment and lower incomes than the regional average. The crisis has accentuated these differences.
- There has been a reduction in undocumented migrants arriving by sea. There has been a sharp fall in numbers at the retention centre for foreigners and the reception centre for minors.
- The crisis has provoked an increase in numbers of school pupils staying on beyond compulsory age. There has been net growth in numbers in higher education. If the success rates could be higher in education, then the 2020 objective could be attained.
- The slowing of the population increase offers an opportunity to consolidate infrastructure and human resources in some public sector services. Likewise slower demographic growth will reduce the numbers in the labour force.
- Ageing of the resident population in the Canary Islands will increase in future decades, which will have consequences for health and social services. The fact that the Dependency Law has been insufficiently implemented in a matter of concern.
- High divorce rates will continue to increase and swell the number of single parent households. At the same time, the demand for services enabling women to work outside the home will rise.
- The high rates of school failure will make it impossible to attain the 2020 objective regarding drop-out rates. This will have serious consequences for adapting labour force skills to the new economic context.
- Economic links with West African countries are still in their early days but are being set up. If these are strengthened, the Canary Islands could reach the objective of becoming a European business platform linked to the continent.
- Global management and more careful use of environmental resources are increasingly necessary given the high population density, increased by tourism.
- Current difficulties facing the region and their effects have led to economic, social and institutional changes. These can in turn lead to new strategies for making the most of opportunities and available resources.

The combination of risks and opportunities raises challenges for an action plan to reduce the risks and increase opportunities. The 2009 Memorandum for the Outermost Regions mentions several principles for action to guide national, local and community strategies.

- Equal opportunities. Persisting severity of inequalities in terms of employment, literacy, school failure and poverty mean that solutions for greater equality in opportunities are necessary. The particular vulnerability of the Outermost regions in the face of economic,
trade and social change creates obstacles to the process of convergence with the rest of the EU.

- The coherence of EU policies. Numerous policies do not adequately take into account the realities of the Outermost Regions. For example, the 2007-2013 cohesion policy did not consider the regions equally. They were divided into two groups, the first being given a convergence objective, the second, one of competitiveness. The determining criterion used was the GDP per capita expressed in terms of purchasing power.

- The encouragement of potential. The 2009 Memorandum stressed the limited use of the ORs potential in relation to the various EU policies. In particular, the low development of research and innovation, or cooperation with neighbouring regions or states. Cross border cooperation and participation in I+D+i regional systems are key objectives.

The challenges discussed so far focus on trends related to demographic factors. The range of challenges in the development strategy for the Canary Islands however is much broader. It was with this in mind that the EU adopted an operational intervention programme under the European Fund for Regional Development on 3rd December 2007. This corresponded to the Regional competitiveness and employment objective of the Autonomous Community. The programme's priorities are:

- Development of the knowledge economy
- Development and entrepreneurial innovation
- Environment, water resources and risk prevention
- Transport and energy
- Local and urban sustainable development.
- Social infrastructure
- Technical assistance and reinforcement of institutional capacities
- Reduction of additional costs handicapping the development of the outermost regions

This study has not aimed to propose a global development strategy for the Outermost Regions in general nor for the Canary Islands in particular. It must be noted that most of the development challenges are not subordinate to the demographic situation. Moreover, a move toward an alternative development model could have important repercussions on demographic change itself in the Canary Islands. In this sense, recent population dynamics are the reflection of a certain development model.

One of the key variables is productivity and factors related to change. During the three growth cycles since the mid 1990s, the only factor that contributed to the per capita GDP increase above that of Spain as a whole was the demographic factor. Indeed the greater expansion of the potentially active population as a proportion of the total population was the only convergence factor on which the Canary Islands economy could rely. However, it was not sufficient enough to bring the Canary Islands GDP up to the level of the national GDP. Activity and employment rates rose but at a lower level than for the whole of Spain. Productivity has been the main factor responsible for the distancing observed during the previous phase of growth in the Canary Islands GDP.

In the face of the timid progress recorded generally within Spain, this basic long term economic growth factor slipped back in the Canary Islands. This was the case whatever indicator considered. Thus the dynamics of productivity in the archipelago did not only prevent convergence with national income standards but also, in the absence of other factors (employment and demographics), it led to negative growth in per capita GDP. In concrete terms, the falling back of labour productivity in the Canary Islands reduced by 31.2% the real advance in per capital GDP between 1995 and 2007 and by over 60% from 2000 to 2007. That is to say that, demographic factors are not the principal reason for
the slow progression of production and income per inhabitant. The main factor in the increased economic divergence has been the lack of investment in relation to productivity.
STATISTICAL APPENDIX

PART 1 - SITUATION

Demography
The Canarias, 2,118,500 inhabitants in 2010 according to INE, experience very slow natural population growth rate (2.9 p. 1000), however well higher than EU27 average (1.0 p. 1000), and also than national average (2.4 p. 1000). This is only due to a younger age structure, because Canarias’ fertility did not experience the increase observed in Spain, with TFR of 1.21 against 1.46 – 1.56 for UE27). Total population growth rate (17 p. 1000) is much higher than natural growth, thanks to positive net migration. Migration was much stronger in the 2000s, before the crisis and the share of foreign-born population is 20%. Canarias have an ageing population : people 65 years and over make up 13.3% of the population, and young people under 15 years make up 14.9%, the lowest of all ORs. The old age dependency ratio:\textsuperscript{1} 18%, is below UE27 (25%) as well as Spain (24%) averages.

Education
In 2009, the educational level was the highest of all ORs, with 29% of the population aged 30-34 years having university level education, but it was well below national average (39%). 2001 census data show that school failure rate was moderately high with 15%, against 11% in Spain, but early school leaving rate was very high reaching 37%, against 31% in Spain.

Employment
In 2007, the employment rate of the 20-64 years old reached 67% (against 70% in Spain as well as in UE27), but it fell to 55% in 2010 due to the crisis. Male employment rate is (60%) but female employment is much lower (49%). In 2010, the unemployment rates were very high, with 27% for the 25-49 year olds and 52% for people under 25 years. These figures are evidence of the severity of the crisis in the Canarias.

At the time of the 2001 census, the proportion of young people aged 20-24 who were neither student nor at work : 22%, was slightly higher than in Spain (19%).

In 2010, the effective dependency ratio\textsuperscript{2} reached 162%, just a little higher than in Spain (150%) ; 81% of the labour force worked in the service sector.

Economy
With 22,600 euros per capita in 2008, Canarias’ PPP GDP was 10% below EU27 average. The annual growth rate of the economy was on average 3.9% from 2000-2001 to 2006-2007, which is similar to EU27. But, growth turned negative (-2.2%) in 2008. From 1995 to 2008, Canarias reduced their GDP gap to EU average by 25%.

The share of the value added that consists of services reaches 81%; agriculture (1%) and industry (7%) are weak, but construction (11%) is important.

In 2009, trade balance was 23%.

\textsuperscript{1} Ratio of people aged 65 years and over to the population aged 15-64 years.
\textsuperscript{2} Ratio of people of all ages who are not working to the number of employed people.
Households – housing
At the time of the 2001 census, 28% of families with children were single-parent families; about 90% of them were headed by females. Among all households (including retirees), 58% had at least one adult at work.

In 2008, social housing in Canarias was much below national average, with 5.8% against 11%.

Health
In 2007, life expectancy at birth was 80 years. In 2009, according to Eurostat data, the number of hospital beds was higher in Canarias than in Spain, but the number of physicians and nurses were respectively 20% and 15% below national average.

Environment
In 2007, the Canarias produced 3.6% of electricity by renewable sources. This was down from 2002 when renewable sources reached 5.2%, because of a decline by 11% in eolian sources.

PART 2 - PROJECTIONS

Population projections
Canarias’ population will slightly grow until 2020 and nearly stabilize afterwards, with 2,161,000 inhabitants in 2020 and 2,167,000 in 2030 (in the ‘open’ scenario). Population ageing will be important; by 2030, the share of young people under 15 years will decline by 5 percentage points while the share of elderly aged 65 years and above will increase by close to 10 points. As soon as 2015, the number of the latter will be higher than that of the former and it could be twice as high in 2030. The dependency ratio will increase by 10 points, reaching 50%, a level still lower than in Spain.

Impacts on education
The decline in the number of young children will result in smaller number of children of school ages, with declines by 6% for primary schooling to 2020; then, the decline will be much faster and reach 21% between 2020 and 2030. For secondary school ages, declines will be respectively 8% and 18%.

However, the decline in the number of students is an opportunity to implement a much needed improvement in education. Investments in education will have to be increased in the near future, mostly for post-secondary and tertiary levels (see above).

EU2020 goals (40% of the 30-34 years old hold tertiary diploma by 2020) could be achieved, given the already high figure (29%) but tertiary education should be increased, or migration of qualified people should also increase. However, it is acknowledged that highly qualified Canarias-born people emigrate, but there is no estimate of these flows.

Impacts on employment and effective dependency
The high level of employment in recent years would have enable Canarias to achieve the EU2020 goal of 75% of the population aged 20-64 employed by 2020. But, the steep decline in employment rate following the crisis makes this unlikely to happen, unless job creations return to their pre-crisis level. Austerity plans may even further result in job destructions.

However, stable employment rate at the 2010 level would not result in much increase in effective dependency ratios, from 162% in 2010 to 168% in 2030, However, this level is rather high.
Health
Population ageing will result in a large increase in the number of elderly above 75 years, by 77% to 2030, while the oldest old (85 years and over) will increase by 117%. These trends will steeply increase health expenditures, most of which are for elderly people. It will also be necessary to increase the number of physicians by 1% yearly to lift the rate of medical doctors per inhabitant to the level currently observed in Spain.

Households
Population ageing and increases in single-parent families will reduce average household size from 2.8 to 2.5 persons per household over the next 20 years. The number of households will at least increase by 11% to 2020 and by at least 5% to 2030.

Energy
The impact of population growth on energy consumption will be low: most of the increase will be linked to changes in consumption patterns.