

# INTELLECTUAL OUTPUT 4

## Case Study IO4- Macroeconomic

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### **Economic keys against depopulation of rural areas: case of Alto Alentejo (Portugal)**

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#### **1. Summary**

European cooperation programmes and institutions have played a fundamental role in channelling financial resources to Alto Alentejo (Portugal). However, data on population and employment trends show that the infrastructure, equipment, and institutions created have not been able to stabilize the population.

The rural depopulation and the low commercial activity between both sides of the former border (Portugal-Spain) that is still there despite many years of EU membership, they do not facilitate development.

During the period 1991-2018, the population in the Alto Alentejo has decreased more (-22%) than in the Alentejo region (-10%), while the average in Portugal has grown by 3%. Likewise, the population over 65 years old in relation to the total population has been increasing more in the Alto Alentejo than in the average of its region NUTII and the Portuguese average.

Its low population density also places it at the lowest levels in Portugal, causing the damage that comes with the difficulty of serving a land with such a low number of inhabitants per square kilometer (Its low population density also places it at the lowest levels in Portugal, causing the damage that comes with the difficulty of

servicing a land with such a low number of inhabitants per square kilometre (increasing the costs of public, educational, health and hospital services, especially)

Low investment and the continued loss of population, lead to continued economic and social decline that the European programmes have failed to overcome. The challenge is difficult and requires imaginative action to try to change the socio-economic direction of this territory.

## 2. Introduction

The region of Alto Alentejo, in the east of Portugal, has been selected for a case study of the problem of rural depopulation in Western Europe. The strength and persistence of the depopulation in numerous regions have left many rural districts in extreme situations of low demographic density.

Guy Crauser (Director-General of Regional Policy at the European Commission) predicted in 2001 that in 2025, some 90 European regions, spread across all Member States, will face demographic decline. How we will help these regions is fundamental to economic and social cohesion. These regions have specific features and needs. Nevertheless, Crauser claimed, despite their differences, sparsely populated areas in Europe have to face, at least, four common problems:

- They face demographic problems, young people emigrate, and the remaining population is aging and fertility rates are low.
- All they are geographically isolated, located far away from economic centres, with high transport costs and problems of access mainly due to deficiencies in transport infrastructure.
- Economic activity is scarce and employment tends to be concentrated in the primary sector or the public sector and services are lacking.
- Living standards tend to be low, with average income lower than in other parts of the country, in some cases, severe rural poverty.

Crauser went on to say that in order to turn depopulated areas into regions that are attractive enough to live and work in, it is necessary to break the vicious circle that depopulation creates of economic and social decline. Economic activity decreases, the workforce migrates, there is a shortage of young entrepreneurs hindering the development of new businesses and there is no critical mass of the population to provide adequate services.

EU structural funds are helping regions suffering from natural or economic disadvantages, helping to break the cycle and create the conditions for success.

The EU-funded project "Governance of shrinkage within a European context" (Shrink SMART 2009) analysed the role of policies and governance systems in different types of shrinking urban regions.

Firstly, the impact of shrinkage on urban and regional development is caused by population losses. Depopulation is used as an indicator that is useful in identifying demographic trends. However, depopulation is the symptom rather than the cause of shrinkage, which results from an intricate 'vicious circle' of interrelated economic and social factors, presenting acute challenges for regional development and governance. The resilience of each municipality was identified as an essential factor for the success of smart growth strategies, in moving from activities in primary and secondary sectors to activities in the tertiary sector.

ESPON (European Spatial Planning Observation Network), an applied research programme aimed at supporting the formulation of regional development policies in Europe, considers rural shrinkage is simultaneously a demographic and economic phenomenon. This programme has been interpreted as a part of broader trends in European territorial restructuring, where agriculture has become less labour intensive, and economic and employment growth has become a development of the tertiary sector, favouring larger urban centres.

In this line, Poeta (2019) asserts that these territories have a scarcity of entrepreneurial resources, of human and relational capital, and population, and thus possess a weak institutional density and are faced with difficulties in the construction of partnerships.

It is not worth forgetting that the direct result of the rural exodus is the overcrowding of the urban centers, which involves problems with transport, the increase in air pollution, and housing problems (an increase of speculation and the rent more expensive).

Panagopoulos and Barreira (2012) claim that in the last decade, several Portuguese municipalities have faced population decline. Smart growth policies that aim to reverse municipal shrinkage, such as those oriented towards increasing the number of young people living in the municipality, by promoting marriage, attracting students and maintenance of health care services are ineffective if an increase in job opportunities does not accompany them. In those few rural municipalities that are managing to maintain their population, the main driving force for change was replacing activities in the primary and secondary sectors with those in the tertiary sector.

According to Muller and Siedentop (2004), the required public intervention should favour the recycling of land and buildings or the adaptation of public



**Source:** Statistics Portugal, Integrated System of Statistical Nomenclatures

### 3. Aims

The aim is to analyze and reflect on the demographic trajectories and their territorial implications, tackling depopulation with sustainability strategies.

The local government initiatives have been unable to reverse trends of depopulation and the progressive abandonment of the settlements, agriculture, and traditional industries, resulting in the loss of identity. This study aims to analyse demographic behaviour in Portugal's Alto Alentejo region.

For this purpose, a demographic analysis was adopted, based on the evolution of the population and the economic behaviour. It is to determine to identify the critical dimension of the sustainability of these municipalities faced with national governance contexts of low investment.

### 4. Method

A case study is an analysis of a particular situation. The question formation of the study determines mostly the methodology that is the best one for the empirical part of the study in question.

The study was developed, analysing the evolution of the population. A quantitative analysis was carried out on the socioeconomic dynamics, supported by demographic and developmental variables. The evolution of employment, trend of the resident population, population density, GDP and GDP per capita was studied in order to collect data related to depopulation and disintegration of the productive structure of municipalities. Collection of data and contributions to an analysis that was guided, from the empirical point of view, we intend to understand the implications on the evolution of population and productive activity.

### 5. Results

The empirical analysis provides us with sufficient information on the economic impact that rural depopulation is having on Alto Alentejo's economy.

During the period 1991-2018, the population of Alto Alentejo has decreased more (-22%) than of the Alentejo region in general (-10%), while the average in

Portugal has grown by 3%. The two municipalities that have decreased the least in population are Portalegre, the district capital, and Campo Maior, which is the headquarters of a significant coffee processing company (table 1).

**Table 1. Evolution population Portugal, Alentejo, Alto Alentejo (1991-2018)**

	1991	2001	2011	2018	% 91/18
Portugal	9.950.029	10.394.669	10.542.398	10.276.617	3%
NUT II: Alentejo	782.331	776.585	757.302	705.478	-10%
NUT III: Alto Alentejo	134.607	127.026	118.410	105.479	-22%
Mora (cambio Sousel)	6.588	5.788	4.978	4.454	-32%
Alter do Chão	4.441	3.938	3.562	3.191	-28%
Arronches	3.677	3.389	3.165	2.860	-22%
Avis	5.686	5.197	4.571	4.249	-25%
Campo Maior	8.535	8.387	8.456	7.907	-7%
Castelo de Vide	4.145	3.872	3.407	2.951	-29%
Crato	5.064	4.348	3.708	3.185	-37%
Elvas	24.474	23.361	23.078	20.706	-15%
Fronteira	4.122	3.732	3.410	2.986	-28%
Gavião	5.920	4.887	4.132	3.347	-43%
Marvão	4.419	4.029	3.512	3.054	-31%
Monforte	3.759	3.393	3.329	2.989	-20%
Nisa	9.864	8.585	7.450	6.149	-38%
Ponte de Sor	17.802	18.140	16.722	15.092	-15%
Portalegre	26.111	25.980	24.930	22.359	-14%

Sources: Statistics Portugal, Demography Statistics

The population over 65 years old concerning the total population has been increasing more in the Alto Alentejo than in the average of its region NUTII and Portugal. It should be noted that it stabilized at 27% in 2018 concerning 2011, compared to increases of 25% and 22% for the region and the nation as a whole (table 2)

**Table 2. Trend of resident population. 65 or over: Portugal, Alentejo, Alto Alentejo (1991-2018)**

	1991		2001		2011		2018	
	65 or over	% 65/tota	65 or over	% 65/tota	65 or over	% 65/tota	65 or over	% 65/tota
Portugal	1.388.377	14%	1.722.417	17%	2.007.646	19%	2.244.225	22%
NUT II: Alentejo	145.714	19%	173.501	22%	182.988	24%	179.668	25%
NUT III: Alto Alentejo	29.426	22%	32.995	26%	32.332	27%	28.953	27%

Mora (Sousel)	1.527	23%	1.738	30%	1.656	33%	1.340	30%
Alter do Chão	1.239	28%	1.301	33%	1.189	33%	915	29%
Arronches	983	27%	1.048	31%	1.069	34%	854	30%
Avis	1.367	24%	1.491	29%	1.406	31%	1.273	30%
Campo Maior	1.504	18%	1.733	21%	1.832	22%	1.774	22%
Castelo de Vide	1.227	30%	1.159	30%	1.129	33%	895	30%
Crato	1.436	28%	1.456	33%	1.303	35%	1.096	34%
Elvas	4.032	16%	4.927	21%	5.103	22%	4.800	23%
Fronteira	920	22%	1.042	28%	960	28%	870	29%
Gavião	1.906	32%	1.912	39%	1.685	41%	1.198	36%
Marvão	1.213	27%	1.302	32%	1.160	33%	989	32%
Monforte	906	24%	948	28%	955	29%	737	25%
Nisa	3.173	32%	3.089	36%	2.826	38%	2.155	35%
Ponte de Sor	3.479	20%	4.307	24%	4.246	25%	4.007	27%
Portalegre	4.514	17%	5.542	21%	5.813	23%	6.050	27%

Sources: Statistics Portugal. Demography Statistics

Table 3 shows that from 1991 to 2018 the population in all age groups in the Alto Alentejo has been decreasing, although the number of people over 65 years of age is lower than in the rest of the country.

This population group is not the case in Portugal, or the Alentejo as a whole, as this group has increased considerably.

It should also be noted that in the capital of the Alto Alentejo, Portalegre, the elderly population has grown considerably and this is linked to trends in other territories where there are health and care centres for their attention.

**Table 3. Trend of resident population by age group (1991-2018)**

	0-14	15-24	25-64	65 or over
Portugal	-27%	-33%	11%	62%
NUT II: Alentejo	-35%	-35%	-6%	23%
NUT III: Alto Alentejo	-45%	-41%	-17%	-2%
Portalegre	-40%	-43%	-14%	34%

Sources: Statistics Portugal. Demography Statistics

The population density places the Alto Alentejo in the lowest levels of Portugal, causing the damage that entails the difficulty of providing services to a land with such a low number of inhabitants per square kilometer (table 3).

**Table 4. Trend of population density (pop. /km<sup>2</sup>)**



	Area km <sup>2</sup>	1991	2001	2011	2018
Portugal	92.212	108	113	114	111
NUT II: Alentejo	31.605	25	25	24	22
NUT III: Alto Alentejo	6.249	22	20	19	17

Sources: Statistics Portugal, Demography Statistics

When looking at variations in GDP at current prices, over the period 2001-2018, the Alto Alentejo has lower GDP growth and GDP per capita (47% and 49%), and there are related to its greater population decline (-17%), table 5,6 and 7.

**Table 5. GDP at current prices (mill. euros)**

	2001	2011	2018	%01/18
Portugal	122.550	176.167	203.896	66%
NUT II: Alentejo	7.832	11.526	13.102	67%
NUT III :Alto Alentejo	1.115	1.479	1.643	47%

Sources: Statistical Yearbook of Portugal. INE.pt

**Table 6. GDP per capita at current prices (euros)**

	2001	2011	2018	% 01/18
Portugal	13.064	16.686	19.841	52%
NUT II: Alentejo	11.900	15.235	18.571	56%
NUT III: Alto Alentejo	10.470	12.534	15.575	49%

Sources: Statistical Yearbook of Portugal. INE.pt

**Table 7. Trends of population (2001-2018)**

	2001	2011	2018	Variation % 01/18
Portugal	10.394.669	10.542.398	10.276.617	-1%
NUT II: Alentejo	776.585	757.302	705.478	-9%
NUT III: Alto Alentejo	127.026	118.410	105.479	-17%

Sources: Statistical Yearbook of Portugal. INE.pt

Unemployment rates do not differ significantly in Alto Alentejo from the Portuguese average, although they are always higher (table 8).

**Table 8. Labour market indicators by NUTS II y III. Employment rate % (1991-2018)**

	1991	2001	2011	2018
Portugal	6,3	3,9	12,0	7,1
NUT II:Alentejo	9,2	6,9	12,8	7,3



NUT III:Alto Alentejo	9,6	8,1	15,7	8,8
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Sources: Statistical Yearbook of Portugal. INE.pt

The unemployed population has also decreased, in line with the decline of the total population.

**Table 9. Labour market indicators by NUTS II y III. Unemployed population (1991-2018)**

	1991	2001	2011	2018	Variation % 91/18
Portugal	293.800	324.300	662.180	339.035	15%
NUT II:Alentejo	34.615	30.468	43.963	25.100	-27%
NUT III:Alto Alentejo	6.074	4.459	7.905	4.076	-33%

Sources: Statistical Yearbook of Portugal. INE.pt

## 6. Discussion

In recent years, the context of the population has been characterized by demographic ageing. The region is marked by a high rate of ageing and negative migratory dynamics that are reflected in the rural depopulation. It will surely only be possible to continue with sustainable development in the Alto Alentejo through the specialisation, quality, and guarantee provided by its Designations of Origin.

The exclusivity of products with alternatives comparable abroad with those that have to compete are:

- Região Vitivinícola do Alentejo (Portalegre).
- Nisa cheese production.
- Production of Norte Alentejano oils.
- Sausages with Denomination of Origin (Lombo Branco y Enguitado, Painho, cacholeira, chouriço, linguiça, farinheira, morcela de asar and morcela de cozer de Portalegre).
- Cork industry.
- Other protected Designations of Origin in Alentejo: Carnalentejana, Marvão Chestnut, Maçã de Portalegre, Mel do Alentejo, Borrego do Alto Alentejo).
- Ceramic and wood crafts (Nisa) in leather and fur (Elvas)
- Socio-recreational services and the monumentality of its Patrimonies of the Humanity (the fortifications of Elvas and effort in getting to be in the list: Marvão and the Festas do Povo de Campo Maior), fortifications de Elvas y las Festas do Povo de Campo Maior., National Monuments in others (enclaves of particular relevance significant number) is united the patrimony of its Natural Parks, the

ecological reserves, the thermal waters, that give rise to cultural tourism, natural and medicinal respectively more and more demanded.

## 7. Conclusions and Recommendations

European cooperation programmes and institutions have played a fundamental role in channelling financial resources to Alto Alentejo. However, data on population and employment trends show that the infrastructure, equipment, and institutions created have not been able to stabilize the population, like the vast majority of the less developed territories.

Low investment and the continued loss of population, lead to continued economic and social decline that the European programmes have failed to overcome (De Miguel Hidalgo et al., 2014).

The Alto Alentejo region is highly dependent on the Structural Funds, for its development. Nevertheless, the rural depopulation and the low commercial activity between both sides of the former border (Portugal-Spain) that is still there despite many years of EU membership, they do not facilitate development. The vast majority of the inhabitants of the border areas maintain still certain distances through their cultural, linguistic, emotional and identity dimensions.

These are the two critical aspects of the development of the Alto Alentejo, continue with the specialization of the denominations of origin and approaching its Spanish border region, also at the crossroads of economic and demographic indicators worrying in terms of the Spanish average.

For this purpose, a demographic analysis was adopted, based on the evolution of the population and the economic behaviour of these communities, in order to identify the critical dimension of the sustainability of these municipalities.

During the period 1991-2018, the population in the Alto Alentejo has decreased more (-22%) than in the Alentejo region (-10%), while the average in Portugal has grown by 3%. Likewise, the population over 65 years old in relation to the total population has been increasing more in this territory than in the average of its region NUTII and the Portuguese average, increasing the costs of public, educational, health and hospital services, especially.

The challenge is difficult and requires imaginative action to try to change the socio-economic direction of this territory.

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