



Nordic ways of dealing with depopulation and ageing in rural and peripheral areas

We live in a time of rapid urbanisation and ageing population, alongside international migration. It is clear that these demographic trends will strongly affect all of the Nordic countries, and especially their rural and peripheral regions. While these regions lose work force and tax revenues to pay for increased welfare demands, the fast growing city re-

gions face other problems: housing shortages, congested roads and insufficient public transportation. The question is, what can we do about it? This policy brief compares the national policies and measures taken in the Nordic countries: How to mitigate (prevent negative effects), or adapt to these demographic trends in rural and peripheral areas?

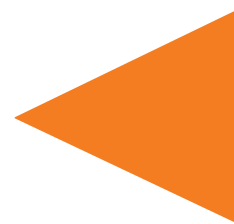
SO FAR, and despite the staggering challenges, none of the Nordic countries has established a comprehensive, national policy or programme to address the demographic trends outlined (Box 1) in a cross-

sectoral and integrated manner. However, it is clear that the consequences are central for policy-making in all countries. In this policy brief, based on a Nordregio working paper, Nordregio highlights the different

ways of approaching demographic change and its impacts on rural and peripheral areas that currently exist in the Nordics as a source of inspiration and mutual learning for Nordic policy-makers.

Box 1. Major demographic trends in the Nordic countries:

- Urbanisation: With more people concentrated to urban areas, the differences in population size and structure increase between growing urban areas and sparsely populated rural areas. This has led to new regional imbalances in the availability of and demand for labour. Decreasing population in rural areas also reduces the tax base and poses challenges for many municipalities to provide welfare services.
- Stagnation or reduction of the workforce: The younger generations are not large enough to fully replace those leaving the labour market.
- Ageing: Strong increase in the share of population aged over 65.
- Gender imbalance: The general pattern is more women than men in urban areas and more men than women in rural and peripheral parts of the Nordic countries.
- International migration: All municipalities in the Nordic countries experience an in-migration of people from abroad. In Norway and Sweden, migration from abroad has already clearly contributed to population increases in rural and peripheral areas.



Take measures to improve attractiveness and services

The main policy response to handle the population shift from rural and peripheral areas to urban centres seems to be twofold. First, by adapting the governance and welfare systems to the declining population in peripheral areas, particularly through municipal mergers. Secondly, through mitigation by means of various attractiveness measures and improved service provision – both public and commercial – to preserve or increase the population base in rural and peripheral areas.

Municipal mergers are common adaptation approaches to urbanisation. For example, in 2007 **Denmark** underwent a structural reform reducing the number of local authorities from 271 to 98 and transforming 13 county councils into five regions the main task of which, besides health care, is regional development. The main aim of this reform was to streamline the division of tasks between state, county and municipal levels.

Methods and tools to make municipalities and regions more attractive are particularly popular in **Norway**. In **Sweden** measures to enhance attractiveness are highlighted in the national strategy for regional growth and in the EU Structural and Investment Funds programme. **Finland** promotes the attractiveness of peripheral areas within regional and rural development policies.

In **Iceland** a number of recent initiatives have been focusing on areas outside

the capital, for example the Action on vulnerable communities. An ‘action programme’ targets particularly vulnerable and remote communities, including foresight workshops with a variety of actors to develop ideas for the future well-being of these communities. **Denmark** has implemented several initiatives to enhance growth, investment and services in villages and rural areas, including changes in planning and housing regulations, which were identified as barriers to rural development.

The provision of public services is another major issue in this context. The Nordic municipalities have a high level of autonomy and extensive responsibilities in service provision. Here we see both measures to increase the attractiveness of peripheral areas by improving access to services, and adaptation of the service provision system to the decreasing population.

In **Finland**, the main approach has been the social welfare and health care reform. This has been done to adapt the decentralised social welfare and health care system to the situation where the population is increasingly centralised and where many small municipalities face difficulties in handling their social welfare and health care responsibilities.

Denmark has also initiated measures to ensure service provision through a National strategy for the digitalization of health. The strategy is meant to ensure the production of more accessible, coherent and efficient health care services and,

among other things, focuses on telemedicine and telehealth as new ways to deliver health care services. Denmark has also made a change in the Health Act which is meant to ensure that people in all parts of the country have access to a general practitioner.

In **Iceland**, health care centres have been merged in many places outside the capital region. The Regional Development Institute is currently also mapping the different types of private and public services available in the regions, municipalities and villages of Iceland in order to be able to address the challenges faced.

Norway has launched a new innovation programme in the Care plan 2020. This will contribute to the development and implementation of welfare technologies, i.e. new methods and new organisational solutions that are adapted to the future needs of the health care sector. The aim is to reduce demand for services and streamline operations.

As a way to ensure public service provision and access to education in peripheral areas, **Finland** and **Sweden** both emphasise the use of all available resources. This means increasing cooperation between public, private and third sector actors. This type of policy discussion on increasing involvement of private and third sector actors is also closely linked to the need for more social innovations in order to meet welfare challenges.

Access to commercial services is also a crucial issue in this context. In **Sweden**, various national initiatives designed to

enhance access to commercial services in peripheral areas exist while it is also clearly understood that there is a need to adapt to population decline and to find new service provision solutions. In the Swedish Rural Development Programme 750 million SEK is allocated to initiatives

for provision of commercial services.

In **Norway**, The Merkur programme provides investment and development support for smaller grocery stores in rural areas. Small grocery stores are very important for rural communities. An evaluation shows that their importance

has increased significantly since the programme was initiated. There will be a continuous emphasis on measures to maintain, develop and support the provision of grocery stores in areas with small markets in Norway.

Mobilise the labour force – young, old and foreign born

When it comes to meeting the decline in the working age share of the population, the overall impression is that the Nordic countries focus on mitigation efforts. The aim here is to mobilise as much of the potential labour force as possible, primarily through pension reforms or by developing new ways to include youth and immigrants in the labour market through vocational training etc.

A youth guarantee provides young unemployed in **Finland** with internships, education, or even a job, within three months of becoming unemployed. **Denmark**, in turn, has established new placement centres in 50 vocational schools across the country. The centres allow students to combine schooling with a shorter or longer internship to ensure practical training and increase the chance of getting a job once the training is completed.

The pending pension reform in **Norway** seeks to introduce a flexible retirement age between the ages of 62 and 75. The overall objective is an increased re-

tirement age and that more people will work longer. In **Finland**, the process of pension reform is ongoing and the pensionable age will be increased gradually over time.

Improving the matching of labour demand and supply is central to national policies in all of the Nordic countries. Common measures include enhanced systems for further education and skills development to meet labour market needs. **Sweden** has a specific instrument to promote competence provision in the regions called regional competence platforms, which map and predict labour demand and encourage cooperation between actors in the region to ensure matching. Large differences still remain in how these regional platforms are implemented and used in different parts of the country.

In **Denmark**, the focus is on providing better and more attractive vocational education and ensuring the geographical spread of such training opportunities. The government has also worked to create stronger business academies with the aim of strengthening labour market participation.

The main strategy for meeting the future demand for labour in **Norway** is to mobilise domestic labour resources through measures aimed at reducing unemployment, sickness leave and disability pension claims etc.

Immigration and successful integration of immigrants in rural regions and labour markets can provide yet another way to mitigate the urbanisation trend. In 2014-2015, the vast majority of the Northernmost Nordic municipalities in SE, FI and NO that increased their population (57 of 118) also showed a surplus of immigration from abroad. In **Åland** policy makers have actively promoted immigration and integration of immigrants as a policy goal, and have made calculations on the volume of immigration required to maintain an acceptable dependency ratio. Interestingly, none of the Nordic countries seem to have similar policies or strategies towards this end at the national level, although there are regional exceptions.

Box 2. Norway fights depopulation like none of the other Nordic countries

A range of measures aim to promote an even distribution of the population across the country:

- Regional differentiation of the payroll tax to stimulate employment in sparsely populated regions
- Programme for the regional localisation of government jobs
- Specific state support to increase the attractiveness of less advantageous regions such as Finnmark and Nord-Troms in Northern Norway. Measures include exemptions from employers' national insurance contributions and write-down of student loans by up to 10 percent of the original amount (max. 25 000 NOK/year)
- Investment and development support for small grocery stores in rural areas

Share the responsibility to care for the elderly

An increasing share of elderly within the population is a reality, particularly in peripheral areas where young people are migrating to urban areas. This inevitably creates a challenge in welfare service provision, particularly in areas where service demand is growing while tax incomes decrease.

In all of the Nordic countries there is some form of equalisation system in place re-distributing resources between municipalities in order to ensure equal service provision. Nevertheless, both **Finland** and **Åland** are reforming health care and social welfare service provision. In Finland, the reform has been under preparation for many years and aims to centralise social welfare and health care provision. In Åland the ongoing public service reform aims, among other things, to improve the efficiency of the public sector by transferring the production of social welfare services from the municipalities to a common cooperation organisation.

In **Norway**, there are measures in place to adapt to the future needs of the health sector through, for example, a co-ordination reform in health care services in order to improve coordination in hospital care. **Denmark** has implemented a national strategy for the digitalization of



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health care where treatment is centred in fewer, more specialised hospitals, and where more tasks can be solved closer to or in the patient's own home.

In **Sweden**, a reform of the county councils responsible for health care has been discussed for decades. In 2007, a merger of county councils into larger units was suggested. This reform still has not been fully realised. In summer 2015, the new government relaunched an investigation on regional reforms.

Housing for elderly populations is another important issue in adapting to the increase in the share of elderly population.

In the Finnish Development Programme for Housing for Elderly People, policies enabling and promoting home living remain an important aim, not just to meet the preferences of the elderly, but also as a fiscal necessity for the municipalities.

Gender imbalance – not a main concern for policymakers

Addressing the issue of gender imbalance in rural and peripheral areas does not seem to be at the core of policy making in any of the Nordic countries (perhaps with the exception of Sweden). The issue has, however, been recognised and measures aiming to mitigate the situation have been included in Finnish and Swedish Rural Development and Structural Funds Programmes. In Finland, the current ERDF programme identifies the need to diversify rural labour markets as a way of making rural areas more attractive to the female labour force. Sweden has promoted gender equality in regional growth policies and measures since 2012.

Norway has not faced any major challenges in respect of gender imbalance as its population is generally more evenly spread compared to the other Nordic countries and, as such, it does not explicitly address this issue in its policies.

Further reading / Additional references (publications: www.nordregio.se)

Adapting to, or mitigating demographic change? National policies addressing demographic challenges in the Nordic countries.

Nordregio Working paper 1:2015

Local and regional approaches to demographic change.

Nordregio Working paper 3:2014

Nordregio maps: 2014 Demographic Vulnerability index

Nordmap: Interactive web-mapping tool, www.nordmap.se

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Nordregio is a Nordic research institute within the fields of urban planning and regional development. We provide policy relevant knowledge with a Nordic and European comparative perspective. Nordregio acts as the Secretariat of the Nordic Working Group on Demography and Welfare. The activities of the working group are continuously developed via collaboration between the members of the working group (i.e. national representatives from ministries or national authorities) and key stakeholders (i.e. policy-makers and planners in the municipalities and regions in the Nordic countries) with an equal focus on theoretical and practical approaches. Read more about related activities <http://www.nordregio.se/wgdemography>



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