



NORDREGIO
Nordic Centre for Spatial Development

Adapting to, or mitigating demographic change?

National policies addressing demographic challenges in the Nordic countries

Lisa Hörnström, Liisa Perjo, Ingrid HG Johnsen and Anna Karlsdóttir

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Stockholm, Sweden, 2015

Table of Contents

Preface	8
1. Introduction	9
1.1 Aim of the study and methods	9
Selected policy areas	10
1.2 Demographic development in the Nordic countries	10
Demographic vulnerability	11
1.3 The impact of demographic change on different policy areas	11
Cross-cutting policies – regional and rural policies	11
Housing	13
Education	13
Employment	13
Services	13
1.4 Responses to demographic challenges	14
2. Denmark	15
2.1 Cross-cutting initiatives and strategies	15
EU Structural Funds	16
Rural Development programme and Maritime and Fisheries development programmes	16
Growth Plan DK	16
Targeting of the urban renewal effort	16
Funds to create life and development in deprived city centres	17
Growth Plan for digitization	17
Lower ferry fares for the transportation of goods to and from the islands	17
2.2 Housing	17
Funds for the demolition of houses	17
Flex Housing	18
2.3 Education	18
Geographical spread of combined secondary education	19
Stronger business academies	19
2.4 Employment	19
Growth Plan for food	19
2.5 Services	19
National strategy for digitalization of health care 2013-2017	20
Medical coverage in all regions of the country	20
2.6 Tackling demographic challenges – mitigation or adaptation?	20
3. Finland	22
3.1 Cross-cutting initiatives and strategies	23
Structural Policy Programme	23
Finnish Structural Funds programme 2014-2020	23
National regional development targets 2011-2015	24
National rural policy programme 2014-2020	24
Rural Development Programme 2014-2020	24
Fiscal equalisation	24
Municipal reform	25
3.2 Housing	25
3.3 Education	26
3.4 Services	27
The reform of the administrative structure of social welfare and health care	28

3.5 Employment	28
3.6 Tackling demographic challenges – mitigation or adaptation?	29
4. Iceland	31
4.1 Cross-cutting policies	31
Regional plan 2014-2017 and Iceland 2020	31
Action on vulnerable communities	32
Cross cutting policies with a territorial effect	32
4.2 Education	33
4.3 Services	34
4.4 Housing	34
4.5 Employment	35
4.5. Tackling demographic challenges – Mitigation or adaptation?	36
5. Norway	37
5.1 Cross-cutting initiatives and strategies	37
National budget	37
Regional Development Grants	38
Action zone in Finnmark and Nord-Troms	39
Regional differentiation of social security contributions	39
Guidelines for the localisation of government jobs and government service production	39
5.2 Housing	39
Housing assistance in rural areas	40
Investment subsidy for care and nursing homes	40
Simplified rules for objections to construction projects	41
5.3 Education	41
Adult learning and skills development	41
Research and higher education	41
Merger of higher education institutions	42
5.4 Employment	42
Pension reform	42
Labour migration	42
5.5 Services	43
Coordination Reform in the health and care services	43
Care Plan 2020	43
The Merkur programme	43
5.6 Tackling demographic challenges – mitigation or adaptation?	44
6. Sweden	45
6.1 Cross-cutting policies	45
National strategies and initiatives	46
Parliamentary Committee for a cohesive policy for rural areas in Sweden	46
Demographic challenges addressed in the ERDF programmes for Sweden 2014-2020	46
National Rural development programme	47
Municipal income equalisation system	47
6.2 Housing	47
6.3 Education	48
Vocational education and training	48
Merger of universities and university colleges	48
6.4 Employment	49
National ESF programme for investment for growth and employment 2014-2020	49
Regional platforms for competence provision	50
6.5 Services	50
Health care	50

Commercial services in rural and peripheral areas.....	50
6.6 Tackling demographic challenges – mitigation or adaptation?.....	51
7. Autonomous areas	52
7.1 Åland	52
7.2 Faroe Islands	53
8. Conclusions and comparisons	54
Population concentration to urban areas	54
Stagnation in, or the reduction of the labour force	56
Increase in the share of the elderly population	57
Gender imbalance in rural and peripheral areas.....	58
9. Final remarks	59
References	61

Preface

This publication reports on the outcomes of a project analysing national policy responses to Demographic Change, commissioned by the Nordic Working Group on Demography and Welfare under the Nordic Council of Ministers' Committee of Senior Officials for Regional Policy, and carried out by Nordregio. The aim of the project was to map and analyse those national policies in the Nordic countries addressing the effects of demographic change. None of the countries or autonomous areas however had a specific national policy with the explicit aim of tackling demographic change. Instead, the trends in respect of demographic change underlie developments affecting many different policy areas. The impact of demographic change also varies significantly between regions and municipalities with this variation likely to grow even more pronounced in the coming years. The current territorial pattern across the Nordic countries, which sees a relatively high proportion of young people in the urban areas and older people in peripheral and rural areas, will persist and even be reinforced in the decades to come. This will have an impact on these countries welfare systems and thus will pose a challenge to service production, both in the public and the private sectors. In addition to this national policy overview, the Working Group on De-

mography and Welfare has also commissioned Nordregio to map innovative local and regional approaches to demographic change in the Nordic countries. A report and a map presenting the approaches can be found at <http://www.nordregio.se/demographyexamples>. The working group has also commissioned Nordregio to publish an interactive web-mapping tool for monitoring demographic, labour market, accessibility and welfare trends in the Nordic Region. The tool can be accessed at <http://www.nordmap.se/>

The authors of this report would like to thank the members of the Nordic Working Group on Demography and Welfare for their valuable contributions and comments, especially on the country-specific chapters. The authors would also like to thank the participants in interviews conducted for this report. In addition, the authors would like to thank Lisbeth Greve Harbo, Kjell Nilsson and Åsa Ström-Hildestrand for their most valuable comments during the writing of this report.

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1. Introduction

The Nordic countries continue to experience the impact of the long term demographic trend of migration from rural areas and smaller communities to larger towns and cities. In addition, the share of the Nordic population aged over 65 is increasing. Ageing population is especially pronounced in areas outside the largest city-regions. Depopulation and having relatively fewer people in working age is expected to have a severe impact on many Nordic municipalities causing additional problems with the future provision of welfare services. In addition, these municipalities face challenges when it comes to accessing the labour force especially in the welfare sector. Moreover, while population decrease imposes particular challenges to rural and peripheral areas, the large city-regions in the Nordic countries are experiencing significant population growth, bringing an altogether different set of challenges.

At the same time, the nuances in this general picture need to be acknowledged given, primarily, the continuing strongly positive flow of international migration. All municipalities in the Nordic countries experience an in-migration of people from abroad. Indeed, in Norway in particular, migration from abroad has clearly contributed to population increases in rural and peripheral areas.

The major demographic trends in the Nordic countries can be summarised as follows:

- Concentration of the population to urban areas has resulted in significant differences in population structure between growing urban areas and sparsely populated rural areas. This has led to new regional imbalances in the availability of and demand for labour.
- Stagnation or reduction of the workforce. The younger generations are not large enough to fully replace those leaving the labour market.
- Strong increase in the share of population aged over 65 and within the next 30 years there will be an increase in this age group in all the Nordic countries.
- Gender imbalance in many Nordic municipalities and regions. 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.

In this report, we study how national level policies in the Nordic countries aim to address the main demographic challenges faced. The report focuses on those policies that address demographic challenges specifically from a territorial perspective. The report covers each of the Nordic countries plus the autonomous areas of Åland and the Faroe islands. Greenland is not included in this policy overview because the Working Group does not have a member representing Greenland. Greenland's demographic development and policies pertaining to this subject are however reviewed by Nordregio in another project commissioned by the Nordic Working Group on Sustainable Regional Development in the Arctic.¹

The report begins by introducing the objectives and the analytical framework of the study while, in addition, briefly mapping the main demographic trends currently experienced in the Nordic countries and the impacts that these trends have on different policy areas. The policy approaches of Denmark, Finland, Iceland, Norway and Sweden are then presented in a series of country-specific chapters. In addition, there is also a combined chapter on the autonomous areas of the Faroe Islands and Åland. The report concludes with a chapter focusing on comparisons between the various countries and autonomous areas.

It should be noted that the report portrays the situation at the current time of writing in 2014 and early 2015. Later policy changes, for example in Finland caused by the change in government, are not included.

1.1 Aim of the study and methods

The overall question posed by this study is: How do the Nordic countries aim to mitigate and/or adapt to the major demographic trends outlined above? In order to answer this we will map and analyse those national policies in the Nordic countries with the explicit or implicit aim of mitigating an unwanted demographic development and/or adapting to the consequences of demographic change by ensuring regional sustainable welfare development and a stable provision of labour in

¹ More information is available at <http://www.nordregio.se/NWGArcctic>

all parts of the Nordic countries. The focus in this study is on policy initiatives addressing developments in rural and peripheral areas in particular.

The main trends in respect of demographic change outlined in the introduction function as the starting point for an analysis of the different ways to mitigate or adapt to demographic change. As demographic changes affect and are affected by policies across a wide variety of policy areas, a selection of the most relevant policy areas is included in this study.

In the report, national level public policy documents of different kinds are analysed, supported by interviews with officers at various national ministries. The report has been drafted in close cooperation with the national representatives in the Nordic Working Group on Demography and Welfare who have provided their insights into policy developments in their countries.

It should also be noted that this study primarily reflects the policy situation in 2014 and the early part of 2015. In several of the Nordic countries, recent shifts in political power relations and changes in government are likely to imply changes in the national policy orientations of those countries.

The report is also limited in terms of only including a limited selection of policy areas, and it thereby does not provide a complete picture of all possible policies that may directly or indirectly relate to demographic change. Still however, the report provides a general overview illustrating the different ways in which demographic challenges have been approached, and thereby also provides inspiration for policy-makers in the Nordic countries as well as in other countries dealing with similar challenges.

Selected policy areas

The stated intention of this study was not only to cover initiatives and strategies taken within the framework of regional development policies (where demographic changes most commonly are included) but to also include other policy areas on which demographic change will have an important impact, policy areas which in turn address and potentially impact demographic change. The policy areas were chosen in cooperation with the Nordic Working Group on Demography and Welfare. These policy areas were considered the most relevant ones for inclusion in a relatively limited project of this size.

The following policy sectors will be investigated:

- Cross-cutting policies (policies for regional and rural development)
- Housing

- Education
- Employment
- Services

By covering these different policy sectors, we seek to highlight the complexity and far-reaching impact of demographic change while also illustrating the cross-sectoral nature of demographic change as a subject of study.

1.2 Demographic development in the Nordic countries

Demographic trends in Nordic municipalities and regions are continuously mapped and analysed by Nordregio and other actors, and therefore we will only briefly describe here the overall trends as they pertain to the Nordic municipalities and regions. For a more detailed description see the report *State of the Nordic region 2014* (Roto et al., 2014) where the overall trends in demographic development are comprehensively mapped.

In general, the average population growth in the Nordic countries 2003-2013 has been positive, but strong regional differences exist within countries. 70% of the Nordic regions experienced an increase in their population in the same period, but in many regions this population increase is strongly concentrated to regional centres (Roto et al., 2014, p.17).

Both ageing population and migration patterns contribute to this trend. The share of persons aged over 65 years is higher in rural and peripheral areas than in the larger cities and regional centres. This tendency is especially pronounced in Finland and Sweden (Roto et al., 2014, p.24). The decreasing share of working age population leads to a higher dependency ratio (ratio of non-working population to working population) in many municipalities particularly in sparsely populated areas. It should also be noted that all local labour markets, even those in the most rural areas of Denmark, Finland, Norway and Sweden, benefit from positive international in-migration (Roto et al., 2014, p.24)

Population decrease impacts the tax base and sees a reduction in revenues. This presents a number challenges for many regions and municipalities when it comes to the provision of public welfare services. At the same time, a decrease in the level of services, lower investments in infrastructure and a reduction in the number of public sector jobs in peripheral and rural areas might lead to less attractive communities and therefore to a loss of population. This circularity needs to be borne in mind when looking at policies address-

ing demographic challenges. The steady decline in the population in working age stemming from the concentration of the population to urban areas and ageing, especially in rural and peripheral areas, will lead to labour shortage and thus to challenges for employers. There will however be significant differences between branches in respect of how severe this challenge will be depending on their different ways of dealing with it and on their ability to adjust to the new situation on the labour market (Rauhut and Kahila, 2012).

Demographic vulnerability

The unbalanced demographic situation currently pertaining in the Nordic countries is illustrated in Map 1. In this map the major demographic trends are combined to show the complexity of the demographic situation. For each of the 10 demographic indicators there is a pan-Nordic threshold for when a region or a municipality is considered 'vulnerable' on that indicator. For example, if the share of the population aged 25-54 is below 39.4%, the region or municipality is considered vulnerable on that indicator. This means that the share of the population in the active age group is too small to compensate for the share of the population under 25 years and over 54 years.²

The map shows that the least vulnerable municipalities (in light and dark blue – one or zero vulnerabilities) are found in the capital cities in each country and also in the larger cities in other parts of the countries (Aarhus, Odense, Göteborg, Malmö, Örebro, Uppsala, Umeå, Oulu, Tampere, Joensuu, Stavanger, Trondheim, Bodø and Tromsø). The most vulnerable municipalities (dark and light red – 10 or 9 vulnerabilities) are fairly spread out across the rest of the territory of the Nordic countries. In Finland, most vulnerable municipalities are found in Eastern and North Finland but there are also many municipalities in Western Finland that are vulnerable. In Sweden, the situation is similar; most municipalities in the northernmost counties are vulnerable but there are also many municipalities in southern Sweden that have a high demographic vulnerability, especially in the regions of Dalarna, Värmland, Småland and Blekinge. In Denmark, the most vulnerable municipalities are found in the northernmost part of Jylland as well as in South Denmark. In Norway, the regional pattern with vulnerable areas concentrated in certain parts of the country is not as profound as in Finland and Sweden but the most vulnerable municipalities are still mainly concentrated in the regions of

Hedmark, Oppland and Telemark. On Åland the demographic situation is relatively favourable with an increasing population and a migration surplus. In the Faroe Islands there is a strong out-migration, especially of young women.

It can also be concluded from this map that the demographic structure within regions is sometimes very unbalanced. Compared to 2011, there are more municipalities in 2014 especially in northern Sweden, north and East Finland and in the inner parts of South Norway that are vulnerable on all 10 indicators, confirming that this demographic imbalance is growing scope.

1.3 The impact of demographic change on different policy areas

This chapter provides a greater level of detail on how demographic changes in general relate to the selected policy areas. The aim is to show in which ways the selected areas are specifically interesting from a demographic perspective.

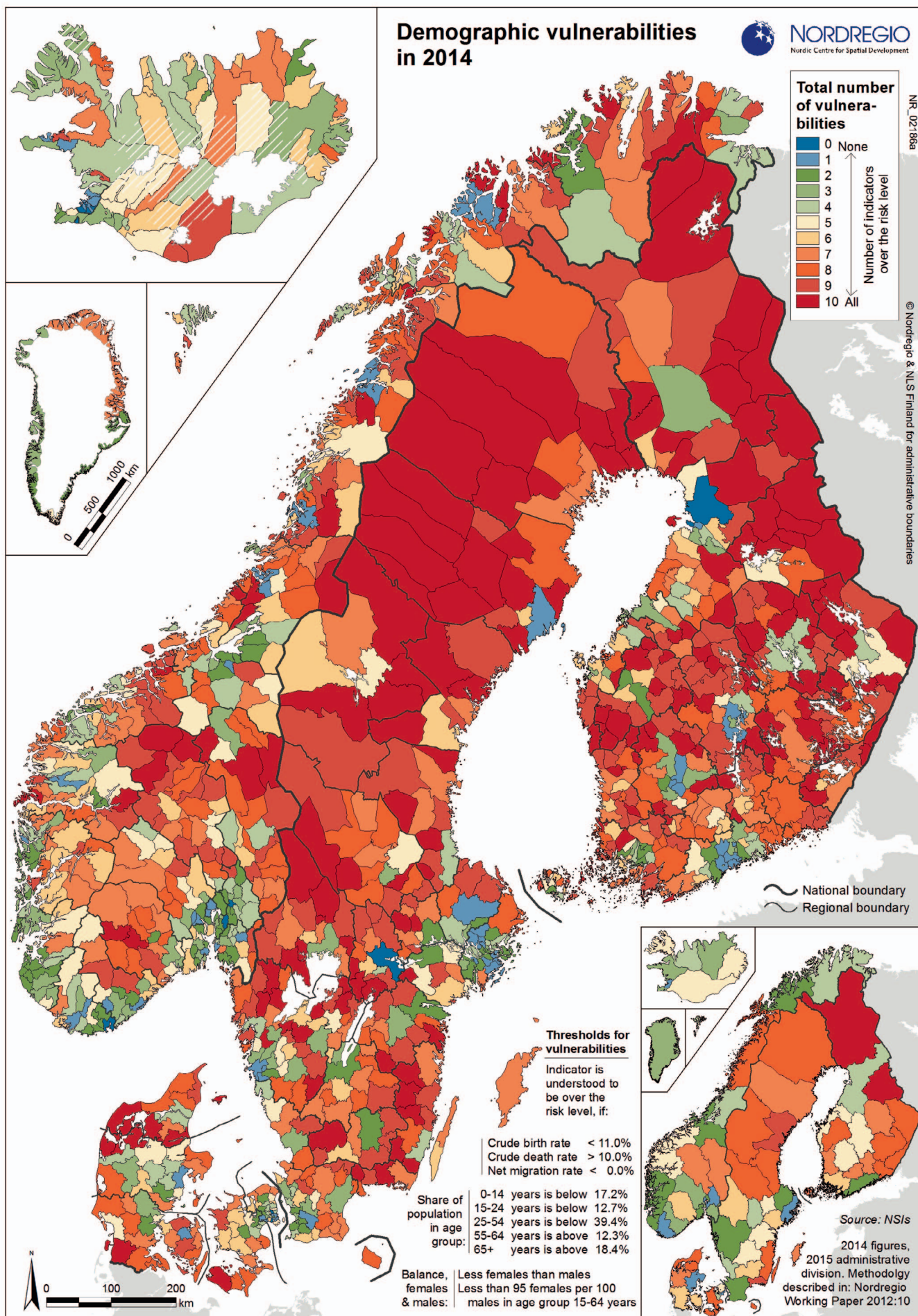
Cross-cutting policies – regional and rural policies

Regional policy is generally understood as policy formulated to solve the problems arising from territorially uneven economic and demographic development. Regional policy strategies can often be difficult to distinguish, in both impact and implementation terms, from other policy areas such as labour-market policy, research and innovation policies and education policy, but the territorial element of the policies is the key element here.

Regional development policy is defined in different ways across the Nordic countries. In Norway, it is called regional and 'district' policy (regional- og distriktpolitikk), in Sweden, the most recent concept is regional growth policy (regional tillväxtpolitik); in Finland as well as in Denmark the concept of 'regional development' is used while in Denmark, there is also a focus on regional business policy (regional erhvervs-politik). These different ways of labelling policies for regional development to some extent reflect the fact that, despite their general similarities, marked differences nevertheless remain between them in the ways in which they handle disparities in development and in the strategies they promote in seeking to strike a balance between the very different parts of these countries (Lindqvist, 2010).

In rural development policy, there has traditionally been a focus on agriculture. The scope of rural development policy has however been successively

2 For more information on how the thresholds are calculated see Hörnström, L., Hansen K.G. and Roto, J., (2012), Att möta demografiska förändringar, Nordregio Report 2012:4, Appendix 2.



widened both in the Nordic countries and at the EU level (Lindqvist, 2010). As an example, in the 2014-2020 programme period for the European Structural and Investments Funds the EU regulation requires a common strategic framework for the implementation of the national operational programmes in order to co-ordinate regional and rural development programmes

Housing

The rationale behind choosing to cover housing policy in this study is the ways in which housing policy can be and has been used to increase municipal attractiveness and to improve housing conditions for elderly people. In small municipalities, predominantly in rural and peripheral areas with a declining population, maintaining the housing stock is a problem, as many houses and apartments are left unoccupied and unmaintained. There is still however also a lack of housing in some peripheral areas. As such then there is a clear need to adapt the existing housing stock to the new reality.

When it comes to housing policy, there are significant differences between the Nordic countries. In Denmark, Norway and Sweden, housing policies are not focused on a specific income group, thus these policies tend to be 'universal' whereas in Finland and Iceland, housing policies are more 'selective', targeting special income groups (Smas, 2013). In Sweden, municipal housing companies owned the rental estates, whereas rental estates in Denmark have to a large extent been owned and managed by public associations. Norway's housing policy has been framed around individual and co-operative ownership, as has Iceland's, but in the latter case there is a greater focus on owner occupation and self-built units (Smas, 2013).

Education

It was decided to include education policies in this study because demographic changes have a significant impact on education systems and on the provision of labour and competences. Good access to, and a high quality of, education also contributes to the attractiveness of regions and local communities because the issue of access to education is one of the primary drivers of domestic migration.

To ensure fast and flexible competence provision and better matching on the labour market there is a need for vocational training and higher education to be adjusted in line with employers' requirements. Similarly, the growing need for long-life learning and for

people to have the opportunity to change career paths later in life is a response to changing demands on the labour market. As such, better matching on the labour market very much depends on coordination between public authorities, education providers, companies and public employers.

Norway, Sweden and Finland each have systems for higher education which include both universities and university colleges. In Norway and Sweden the different roles of universities and university colleges have however become increasingly blurred over time. Sweden, Finland and Iceland are all currently discussing the issue of quality in higher education and research with a primary focus on reducing the number of universities and university colleges or supporting a far greater level of collaboration between institutions. In Denmark, a national consolidation process was initiated already in 2007 (Lindqvist et al., 2012).

Employment

Education and labour-market policies are of course closely interconnected and we have therefore also chosen to cover labour-market policies in this policy overview. Labour market policies focus on increasing employment through, for example, better inclusion on the labour market. There are large territorial variations in youth unemployment in the Nordic countries and, as such, there may be a need for diversified initiatives across the countries concerned.

Services

The rationale behind choosing to cover services is that both welfare and commercial services are of crucial importance to ensuring the attractiveness of a region or municipality. Access to both welfare services (e.g. hospitals, schools, child and elderly care, infrastructure, public transport) and commercial services (e.g. grocery shops, gas stations, pharmacies, banks) is crucial to make a community attractive for people and companies.

We will map national policies aimed at the creation of better access to services but also include policies that support new ways of providing services while promoting the development of more cost-efficient solutions. Particularly in respect of health care, the lack of competent labour remains a crucial issue as regards service provision in many rural and peripheral areas.

Figure 1.1: Demographic vulnerabilities in 2014. Map design by Linus Rispling.

1.4 Responses to demographic challenges

In order to analyse the different policies and to allow for comparisons across the Nordic countries, we use the concepts of adaptation and mitigation. Mitigation of demographic change is considered to include approaches that aim to alleviate the demographic changes outlined above, such as measures aimed at slowing urbanisation by increasing the attractiveness of rural areas. Adaptation to demographic change in turn is seen as adjusting to these demographic changes where,

for example, policies are changed or adapted to deal with the new reality faced. Municipal mergers are a commonly shared example of adaptation to demographic change in the Nordic countries even though demographic change is not the only (and perhaps not always the most important) driver behind mergers.

The characteristics of national policies in each of the country in terms of adaptation and mitigation is discussed in the concluding section of each of the country chapters, as well as in the report's concluding chapter where a comparison is also made between the countries.

2. Denmark

Denmark is experiencing a process of rapid urbanisation with people moving from rural to urban areas and jobs being concentrated in and around centres around the main cities. Viewed from the EU level, Denmark together with Sweden has in recent years seen the largest relative movement from rural to urban areas. 22% of the Danish population lives in metropolitan areas, and since 2007 this figure has increased by 6% (KL, 2014). In the European context, a relatively small proportion of the population lives in the largest cities in Denmark. However, a total of 71% of the Danish population lives in large and medium-sized cities. Population growth in the cities and decline in peripheral areas is expected to continue according to population projections from Statistics Denmark (KL, 2014).

The Danish population is also ageing. This results in a weakened tax base to support the welfare services, particularly in municipalities characterised by a declining and ageing remaining population. The exceptions to this trend are to be found in the municipalities of Copenhagen, Frederiksberg and Aarhus, and in other major urban municipalities. This demographic development in Denmark has led to the emergence of a number of demographic vulnerabilities for municipalities with larger shares of elderly, low birth rates and fewer women than men. This is especially true for a number of municipalities outside the major cities. In general, the municipalities are experiencing a significant rise in the number of demographic challenges (KL, 2014). Compared to its Nordic neighbours, geographical distances in Denmark are generally much shorter thus enabling a far greater level of inter-municipal commuting. Indeed, for this reason, a number of semi-rural municipalities located in close proximity to the main urban municipalities have in fact grown in recent years.

Those Danish rural areas located further away from the largest cities have however experienced population decline in the period 2007-2014. On the small islands, this decline has been even more significant; in the period 2007-2014 the population of the small islands fell by 11 per cent (Ministry of Housing, Urban and Rural Affairs, 2014). The small islands also have a higher share of men to women, and an uneven ratio between

young and old residents (Danish Ministry of Housing, Urban and Rural Affairs, 2014).

On the small islands, the employment rate is lower than in the country as whole. Furthermore a relatively large share of the population is outside of active age (Danish Ministry of Housing, Urban and Rural Affairs, 2014). The small islands have also, in the 2009-2013 period, experienced a decline in employment, which is significantly higher than in rural areas further away from the largest cities and also substantially higher than in the country as a whole. The unemployment rate in the small islands is itself testament to the difficult situation facing these communities.

This basic analysis is used to provide the starting point for the following chapter's focus on the various national-level initiatives and strategies that aim to tackle the demographic challenges facing Denmark.

2.1 Cross-cutting initiatives and strategies

The Danish Structural Reform of 2007 reduced the number of local authorities from 271 to 98 and transformed 13 county councils into five regions the main task of which, besides health care, is regional development. In April 2006, as a part of the reform process, a regional growth forum was established in each region. A total of six regional growth fora were established, since a separate growth forum was established for Bornholm, which is part of the Capital Region. The growth fora are organised in line with the partnership principle and include representatives of the following five groups of actors: the region, the local authorities, knowledge and education institutions, the business community and the labour unions. The executives and the secretariat of the growth fora are part of each region's Regional Development Department. The main tasks of the regional growth fora are to formulate a regional business development strategy; to monitor the regional and local conditions for growth; and to propose co-financing for regional business development activities. The regional growth fora are also responsible for regional development funding and industrial development. The Danish Business Authority, which is part

of the Ministry of Business and Growth, is the responsible authority, on the national level, for regional development (Lindqvist, 2010).

EU Structural Funds

The national budget for regional development is limited in Denmark, and therefore the European Social Fund (ESF) and European Regional Development Fund (ERDF) are important for regional policy in the country. Regional policy is given a relatively low level of priority in Denmark at the national level because, in EU terms, given the compact nature of most of its territory, Denmark does not have to deal with vast geographical distances, while disparities in terms of income, unemployment levels, etc., between and within regions remain quite small (ADE, 2012).

Projects funded under the national programme are implemented in line with the recommendations from the Regional Growth Forums which will secure a regional approach to growth and employment across Denmark e.g. through innovation, entrepreneurship, green growth initiatives, education, and job creation.

In the Structural Fund programmes, peripheral areas' structural challenges in relation to creating growth and development are taken into account. For example, it is possible to allocate special funds to certain investments under the ERDF programmes on Læsø, Ærø, Langeland, Lolland, Samsø and Bornholm, as well as to the 27 small islands.

Rural Development programme and Maritime and Fisheries development programmes

The rural development programme (RDP) and the maritime and fisheries development programme are tasked with contributing to the Europe 2020 strategy for smart, sustainable and inclusive growth (Det danske landdistriktsprogram 2014-2020). The Government emphasises that both programmes strengthen and maintain the food sector's importance for growth and jobs in the rural areas of Denmark.

The overall objectives of rural development and of the development of fisheries areas are job creation and the improvement of living conditions. There is also an increased focus on job creation and initiatives that by supporting business development can contribute directly to the creation of new jobs.

Efforts targeted towards rural areas as well as fisheries areas will be implemented through Community Led Local Development (CLLD) which will be implemented through local associations (called local action groups (LAGs)) in selected geographical areas across Denmark. The support scheme should help local com-

munities to create and maintain local jobs and services (Danish Ministry of Housing, Urban and Rural Affairs, 2014). In addition, the LAGs will provide grants to strengthen service facilities in rural areas.

Growth Plan DK

In 2013 the government introduced a Growth Plan ("Vækstplan DK") containing three tracks:

- Reform that improves conditions for companies
- Reform that increases the population's level of education and employment
- Reform of the public sector

The plan does not address demographic change as such, but is directed towards the creation of stronger companies and more jobs in Denmark as a whole in the coming years. The goal is to ensure a significant improvement of the framework for growth and jobs in Denmark in order to improve productivity and competitiveness and make it more attractive to invest in Danish companies and jobs. As part of the plan, 10 billion DKK³ in 2014, rising to 15 billion DKK⁴ in 2020, are designated for concrete initiatives. For instance, increased public investment in higher education will ensure the quality of educational services. Furthermore, the reform of the public sector will include investments in peripheral areas through diverse issues such as building renewal, North Sea coastal protection and a better IT infrastructure on Bornholm.

Targeting of the urban renewal effort

An amendment to the Urban Renewal Act gives municipalities an even better opportunity to upgrade smaller cities and towns. For example, 20 million DKK has been allocated to small towns with fewer than 3,000 inhabitants with a further 20 million DKK to smaller cities with between 3,000 and 10,000 inhabitants. In addition, from January 2016 municipalities will get 60% of the costs associated with the demolition of neglected houses and houses that are condemnable. The amendments to the Urban Renewal Act also give the municipalities the possibility to receive funding to acquire and demolish vacant commercial properties that are located in smaller towns with 3,000-10,000 residents.

3 Approx. 1.3 billion EUR

4 Approx. 2 billion EUR

Funds to create life and development in deprived city centres

Smaller towns and their town centres have experienced an increasing number of challenges in recent years. Depopulation, e-commerce and the centralisation of private and public services have a significant negative impact on such places which historically functioned as natural meeting places for locals. There is thus a need for new ideas if smaller towns are to remain viable centres of life in small communities. The Ministry of Housing, Urban and Rural Affairs therefore awarded 30 million DKK⁵ to seven municipalities in order for them to implement pilot projects for development and the testing of new initiatives to support a positive development in these small town centres.

Two of the municipalities have been given funding to experiment with small towns that are characterised by economic recession and depopulation. This measure is a follow-up to the efforts related to the shrinkage of villages also initiated by the Ministry of Housing, Urban and Rural Affairs. In 2014, the Ministry published the report "The future of roadside villages in Denmark" (Dansk Byplanlaboratorium, 2014). The project focused on how such declining communities can be managed in the best possible way such that all the parties involved are assisted, and has helped kick-start these processes in these municipalities.

Growth Plan for digitization

Efficient broadband connections are an important precondition for economic growth and the creation of jobs in local communities. The growth plan for digitalization (2015) focuses on the creation of a more efficient digital infrastructure. For instance, the government will release 700 MHz for mobile broadband in 2020 to improve the capability of the mobile network and to achieve significantly better coverage for citizens and businesses in sparsely populated areas. The Government will also promote better mobile coverage throughout the country during the period 2016-2019.

In the municipality agreements for 2014 and 2015, the government allocated loans totalling 150 million DKK to municipal projects for the spread of broadband and mobile coverage in rural areas, through instalment of mobile masts and the establishment of passive infrastructure. The first 120 million have already been distributed to 13 different rural municipalities.

In 2013 an amendment to the Planning Act allowed municipalities further opportunities to stimulate settlement and to realise business initiatives in rural areas.

as. These changes imply that there is no longer a need to apply for a rural zone permit in order to set up mobile antennas for mobile telephony, etc., in rural zones. This gives mobile operators greater opportunities to expand mobile networks in sparsely populated areas, which benefits both mobile and broadband coverage.

A new website (www.tjekditnet.dk) provides mobile and broadband consumers with the ability to compare the different service providers' broadband services related to individual addresses. The aim is to improve the transparency of the market and to meet consumers' market demands.

Lower ferry fares for the transportation of goods to and from the islands

Additional costs incurred for freight transport is a challenge for the smaller islands and a barrier to growth. The government, as part of the agreement on the stimulus package in 2014, allocated a budget of 50 million DKK⁶ in 2015 and 125 million DKK⁷ annually from 2016 onwards, for the permanent reduction in ferry fares on freight transport to and from the small islands and Læsø, Samsø, Ærø, Fanø and Bornholm. The scheme aims to support business development in island communities. In the spring of 2015 the government will propose legislation regarding the agreement, which will see fares on freight transport to and from the vast majority of small islands and island municipalities reduced by 80 per cent.

2.2 Housing

Funds for the demolition of houses

Empty and unused buildings - particularly in rural areas - represent a significant challenge given ongoing structural development in the agricultural sector. In 2013 the Danish government decided to allocate funds for the demolition and renovation of neglected houses in towns with fewer than 3,000 inhabitants and in rural areas. The agreement is a sub-agreement related to the Growth Plan DK and the funds allotted up to 400 million DKK in 2014 and 2015. The aim is to help municipalities tackle the problems related to neglected houses and to contribute towards putting into place a holistic and forward-looking action plan.

In June 2014 the agreement was adjusted following the amendment of the Urban Renewal Act. The adjustments targeted the funds to cover expenditure related both to condemnable homes and to the restoration of

5 Approx. 4 million EUR

6 Approx. 6.7 million EUR

7 Approx. 17 million EUR

community houses to support energy labelling. The funds have been extended to 2020 ensuring a firm basis for long-term municipal planning.

In the Housing Agreement from 2014 the government allocated 600 million DKK, for the period 2015-2018, to the demolition of public housing. The scheme is primarily aimed at remedying problems with the declining demand for public housing in the Denmark's rural areas.

Flex Housing

In Denmark residences are classified as permanent residences or as second homes. The government made a change to the housing regulation law that clarifies the municipalities' right to allow second homes to be turned into permanent residences without the need for formal administrative procedures. The new rules on flex housing came into force on 1 May 2013. In connection with the growth plan for Danish tourism (Danish Ministry of Business and Growth, 2014), the government will follow up the law on flex housing by conducting an evaluation of the municipalities' application of the system with many municipalities having now expressed an interest in the flex housing scheme.

The parliament also passed changes to the Planning Act which from January 2015 allows relevant lo-

cal authorities to make an exemption from previous rules in respect of the owner's ability to rent out a seasonal house on a full-year basis on one of the 27 small islands. This will help support all-year settlement on the small islands which are particularly affected by depopulation.

2.3 Education

In Denmark a large share of those citizens residing outside of the urban areas or near the main cities have a vocational education. The number of citizens with a vocational education in rural areas seems to reflect the fact that there are a relatively high proportion of employees in the primary sector, construction and industry in these areas (Danish Ministry of Housing, Urban and Rural Affairs, 2014). As such, many of the initiatives related to education in rural areas aim at strengthening vocational training and increasing access to jobs in the primary sector.

From September 2013 this led to the establishment of new placement centres in 50 vocational schools across the country. The centres are aimed at students who do not have a training agreement with an employer. Instead, the student can combine school training with a shorter or longer internship.

A number of the country's vocational schools that



Photo: Benjamin Suomela / Norden.org

have participated in pilot projects have had good experiences of acting as practical placement centres. According to an evaluation of the pilot projects, businesses also experienced significant improvements in vocational training provided by the schools (Danish Ministry of Housing, Urban and Rural Affairs, 2014).

Geographical spread of combined secondary education

Combined secondary education is a two-year training programme that provides the skills required to undertake a job in a specific profession. The programme is offered to people under the age of 25 who have completed 9th or 10th grade (or equivalent) and who do not have the qualifications to complete a vocational training course or secondary education. It is organised in cooperation with several educational institutions working with local companies on business training. Once the participants have completed the programme, they earn a business assistant title in a specific professional field and they receive a certificate describing the skills acquired during training.

In February 2014 the parliament agreed to put in place a better and more attractive vocational education programme. The agreement includes provisions to ensure that there is a geographical spread of the combined secondary education programme through the establishment of 15-20 sub-divisions across the country. Geography will also be one of the criteria at the forthcoming licensing round for vocational education in 2017.

Stronger business academies

The law on professional higher education meant that, from January 2009, new independent academies took over the vocational schools' role in offering vocational academy education and higher adult education. The new independent academies were also given the opportunity to develop and provide the technical and commercial professional education and diploma courses in cooperation with university colleges. The government proposed the following initiatives and changes in the law on professional higher education:

- Business academies will be entitled to provide a full range of technical and commercial professional training
- New requirements for heads of schools composition
- Education must strengthen subsequent labour market participation
- Greater focus on applying practice-based knowledge in education and companies

2.4 Employment

In order to ensure a sufficient supply of manpower in the future a retirement reform was adopted in 2013. The reform changes the retirement age from 65 to 67 years, and later up to 69 years. The reform also reduces the potential period of early retirement from five down to three years.

Growth Plan for food

With the Growth Plan DK in work - Growth Plan of Food 2013 ("Vækstplan for fødevarer 2013"), the government wanted to further promote the opportunity to create growth in the food industry where Danish companies have an international competitive advantage and where global demand constantly creates new opportunities. The development of the food sector is a key issue for rural areas because it provides a significant number of professional level jobs in these areas and thus sets the backdrop to the continuance of a high quality rural life. As such, there is always a need for new investments and the promotion of successful new companies producing solid growth in these areas. Growth in small food producing companies is particularly important for employment and earnings in those rural areas that are particularly challenged by the ongoing restructuring in the primary industries.

As a consequence, the Danish government has launched a number of initiatives designed to contribute to the promotion of innovation in the food industry, to strengthen growth and employment and to contribute to ensuring greater diversity and higher quality in terms of food supply. With the growth plan for food the government wants to, among other things; focus on solution-oriented regulation and control in order to reduce market barriers; attract talent and increase the recruitment base by developing more attractive food education programmes; and strengthen the access to finance.

2.5 Services

At the heart of Danish public health policy is the notion that quick access to appropriate treatment for the injured or acutely ill should be available to all. This can only be ensured by means of a dense network of local health care service facilities. Local health services in sparsely populated areas where people have to travel significant distances to access even local and less complex health needs must be supported, while emergency medical service systems must increasingly be integrated, so that resources for referral and treatment are used

in the most efficient way possible.

In 2010 the parliament decided to allocate funds to the local health care services in rural areas and boost medical helicopter arrangements. An important element in the government's plan for future urgent action is an extension of local health care facilities in sparsely populated areas in the form of, for example, health and emergency centres, which bring together practitioners, including emergency medical service, relevant specialists and other practitioners in larger units. Depending on the local conditions, health and emergency centres also contain a number of other regional and municipal health and care services, such as injury clinics, midwives, rehabilitation units, etc. (STM, 2010).

National strategy for digitalization of health care 2013-2017

The growing elderly population combined with the rise in the presentations of chronic disease among this group necessitate that significant efforts are made across sectoral boundaries. This increases the need for more - and better - collaboration across hospitals, municipalities and the general practices. Thus the need arises for the re-organisation of health care services, where treatment is centred in fewer, more specialised hospitals, and where more tasks can be solved closer to if not in the patient's own home.

Digitization is a key tool in the creation of more accessible, coherent and efficient health care services. With the strategy for digitization of health care 2013-2017 ("Digitalisering med effekt - National strategi for digitalisering af sundhedsvæsenet 2013-2017") the Government, Local Government Denmark, and the Danish Regions continue their cooperation on digitization. The strategy was prepared by the National Board of Health IT, and sets an ambitious course of action for further work in this area.

The main focus areas of the strategy are better and more effective treatment, increased patient safety, and easier workflows for staff. This means an increased focus on the dissemination and application of existing IT solutions, including the phasing out of paper-based workflows. The strategy includes the following five focus areas:

- Health to citizens in new ways
- Digital workflows and processes
- Consistency in patient care
- Better use of data
- Prioritising, execution and visibility

The first focus area includes telemedicine and telehealth, characterising them as new ways in which to deliver health care services. During the strategy period, one of the primary objectives is to ensure the smooth implementation of the new systems and thus that the full suite of available applications in respect of telemedicine solutions are rolled out on time. As part of the Action Plan the framework for a national telemedicine IT infrastructure will be established, something which can be expanded and disseminated in the coming years.

Medical coverage in all regions of the country

In some regions attracting medical staff has become a challenge. A change in the Health Act in 2014 aimed at ensuring that people in all parts of the country have access to a general practitioner. With the amendment, the regions have among other things been given new opportunities to establish and run general practice clinics themselves, and to outsource the operation of the practice to private actors. This organisational approach to general practice clinics is relatively new, but the Ministry is aware that the regions have already started to set up clinics within this new framework.

2.6 Tackling demographic challenges – mitigation or adaptation?

Seen in the Nordic context, Denmark is a small country with few isolated communities facing long distances to access public services and much less pronounced regional differences than some other Nordic countries. A central goal of Danish regional policy has been that all regions should contribute to maximising national economic growth (OECD, 2010). This is clearly reflected in the policy, where access to jobs and the creation of attractive conditions for business development are central themes.

Demographic change resulting in rapid urbanisation and the depopulation of rural areas, especially on the many small islands, is clearly reflected in the national-level policies outlined above. Mitigation efforts is the main focus on making rural areas more attractive, and this is clearly reflected in the different policy areas presented above. Examples of such initiatives include funds to support for urban renewal efforts in smaller towns as well as ensuring the provision of the necessary infrastructure (ferries, broadband connections etc.) in rural areas, especially on the small islands. With regards to employment and education, there is a strong focus on ensuring good framework conditions for the food industry as well as providing access to practical

training for students entering vocational training. This is because the food industry constitutes an important part of the industrial activity taking place in rural areas, and there is a higher share of jobs for people with vocational education in these areas. When it comes to housing, the current national housing regulation has been identified as a barrier to the mitigation of demographic challenges. Thus the creation of a more flexible regulation has made it easier to acquire properties in rural areas (flex house regulation).

Policies are also targeted at adapting to demographic change. When it comes to the provision of services

there is a focus on larger and more centralised units tasked with providing specialised care, while telemedicine has been introduced as a way to improve efficiency and reduce costs in the health care sector. The municipal reform, which has been briefly mentioned, initiated in 2006 can be seen as a way of adapting to the urbanisation trend in Denmark. The reform involved simultaneous processes of centralisation and decentralisation; task allocation was changed and municipalities were given more responsibility, however, the number of municipalities was reduced from 270 to 98 during the reform period.

3. Finland

The increase in the ageing population and the decrease in working age population are identified as the most important societal challenges in Finland influencing both labour supply in, and the competitiveness of, the regions.

Although all regions are already facing, or are expected in future to face, demographic challenges clear regional variations exist. In general, the rural population decreased by 33% between 1970 and 2007 with the concentration of the population to fewer growth centres continuing at a rapid pace (Hätälä & Rusanen, 2010). According to some calculations, 90% of the Finnish population already lives in and around the biggest city-regions of the country (see Kostiainen, 2015). Outside the functional region in Southern Finland stretching from Helsinki to Lahti, Tampere and Turku, strong population growth has occurred in only a few university towns (Vartiainen, 2014).

It is clear that these demographic challenges have hit hardest in the peripheral sparsely populated areas of Eastern and Northern Finland. For example, because of both out-migration and ageing, the share of the working age population is expected to decrease by 30-40% in Kainuu, South Savo and Lapland. The increase in share of the aged population is in turn fastest in Eastern Finland. In Eastern and Northern Finland, moreover, the working age population is shrinking at a faster rate than the overall population (Finnish Ministry of Employment and the Economy, 2014a). It is also notable that in peripheral Finnish regions, the increasing share of the aged population has become a more influential demographic challenge than out-migration as such, especially since international immigration has contributed to balancing out the migration situation in, for example, Northern Karelia (Vartiainen, 2014).

In addition, the decreasing share of the working age population in these areas has seen the dependency ratio (ratio of non-working population to working population) worsen in many municipalities, particularly in sparsely populated areas. The decreasing share of the working age population influences the public finances in a two-fold manner as the need for services increases while tax incomes decrease. The situation is further weakened in rural areas by out-migration as

the younger aged population in particular migrates to urban areas (Finnish Ministry of Employment and the Economy, 2010).

Currently the main policy discussions related to issues of demographic change focus on addressing the problems associated with an ageing population and the resultant 'sustainability gap' in public finances which is a result both of this population ageing process and of other demographic changes and the persistently high levels of structural unemployment caused by structural changes in the economy. The concept of the 'sustainability gap' is widely used in the Finnish policy discussion to describe the situation where the public sector cannot fulfil its responsibilities and tasks without increasing the public debt. As the strategic aim is to avoid high levels of public debt, the reform process focuses on the transformation of the public sector and the governance system.

From a demographic and territorial perspective, the municipal reform process is the main tool in the struggle to transform the public sector with a focus on responding to current and future challenges in respect of service provision. Finland has a long tradition of fiscally autonomous self-governing municipalities which provide a broad range of public services to their residents. The municipalities are generally small in size and as a result of demographic changes as well as other major development trends, many now face severe challenges. In the ongoing municipal reform, municipal mergers are being used as a tool to create municipalities with a stronger population base and thus the ability to ensure continued service provision. At the same time the tasks and responsibilities of municipalities of different sizes are being revised. The reform of local government together with the reform of the social welfare and healthcare administration system are the two main ways in which Finland aims to respond to demographic challenges.

In addition to major administrative reforms, Finland has introduced national level programmes and specific policy tools to address the various challenges related to demographic changes. Finland is known for being one of the most decentralised OECD countries (OECD, 2014) and while the municipal reform ad-

dresses this issue other policy initiatives have also been taken to promote a less decentralised structure. For example, Finnish innovation policy began (at least during the previous government's term of office) to focus on the promotion of strong innovation centres and city-regions rather than supporting a more spread structure (Lindqvist et al. 2012).

It should be noted that this report was drafted before the Finnish elections and the subsequent change in government in April 2015. At the current time of writing, it is still unclear what impact the change in government will have in respect of the response to the issues surrounding demographic change and territorial development. Based on the available government programme, it is however clear that policy changes are to be expected, for example the autonomy of the municipalities will be strengthened in many policy areas (Finnish Government, 2015). The government programme also seems to emphasise decentralisation and the better utilisation of the resources of the whole country particularly through the promotion of the notion of the bioeconomy (Katajamäki, 2015).

3.1 Cross-cutting initiatives and strategies

General cross-cutting strategies for regional development in Finland identify demographic development as a major challenge facing regional policy. The main challenges are in cross-cutting initiatives which have been identified as being related, on the one hand, to the ageing population and out-migration leading to an unbalanced dependency ratio and, on the other, to the deficit in the public finances which results in difficulties relating to the provision of welfare services.

This section presents the approach on demographic challenges in some of the main national level policy documents on regional development as well as in the municipal reform as they were formulated in the current time of writing. The approaches of the various policies to different policy areas are discussed in greater detail in the relevant sections.

Structural Policy Programme

In 2013, the Finnish Government published a new cross-cutting programme in which the response to demographic change plays a major role. The "Structural Policy Programme to strengthen conditions for economic growth and bridge the sustainability gap in general government finances" states that it provides "concrete structural policy measures to strengthen the foundations for economic growth and the productivity

of the public services system, to increase the employment rate and to solve the sustainability problem in general government finances" (Finnish Government, 2013a, p.1). The programme includes activities focusing on the themes of public economic management; labour market and working careers; competitiveness; renewal and growth of the economy; and productivity of public service provision. Many of the measures in the programme are already being implemented. (Finnish Government, 2013a; Finnish Government, 2014)

In terms of demographic changes and their territorial implications, the primary activities here relate to revising the tasks and responsibilities of the municipalities and implementing the healthcare and social welfare reform that changes the administrative structure in respect of providing health care and social welfare services (Finnish Government, 2013a)

Finnish Structural Funds programme 2014-2020

Demographic changes are described as providing the background to the main regional development strategies and thus are also included in the Finnish Structural Funds programme for 2014-2020 which encompasses in one policy document both the European Regional Development Fund (ERDF) and the European Social Fund (ESF). Demographic development is one of the primary themes of the investment strategy for the Structural Funds Programme. The programme emphasises the need to meet the challenges arising in respect of an ageing population, a decrease in the share of the working age population and the emergence of large differences between regions in terms of demographic development and directs funding to support these requirements.

The programme highlights the challenges of age- and gender-balance especially in rural regions and states that a balanced gender-structure is important for demographic development, particularly as such issues influence the attractiveness and social atmosphere of the regions. The programme also notes that a foreign-sourced labour force has been used to respond to regional labour demand but suggests that this strategy brings new challenges in respect of the organisation of public services and integration (Finnish Ministry of Employment and the Economy, 2014a).

The specific challenges that Eastern and Northern Finland are facing are also reflected in the Structural Funds programme. Specific goals and measures applying only to those regions have been set up while the programme also includes a separate chapter discussing the specific measures for sparsely populated regions as well as archipelago areas (Finnish Ministry of Employ-

ment and the Economy, 2014a).

In practice, Finland will use the structural funds to support the development of SMEs; to promote research, development and innovation activities; to reduce unemployment (with a focus on young people and people in unfavourable labour market positions); to support education that contributes to ensuring the availability of skilled workforce and developing professional skills and among other things developing supplementary training to meet labour market needs; and to reduce social exclusion (by e.g. increasing community activity and participation) (Finnish Ministry of Employment and the Economy, 2014a). The ESF-funding allocated to labour market activities (related e.g. to skills upgrade and training) aiming to bring a larger share of the working age population into the labour market is particularly important from a demographic perspective.

National regional development targets 2011-2015

The National regional development targets set the main outlines for the national level approach to regional development. The main objectives are “strengthening the competitiveness and vitality of the regions”; “promoting the welfare of the population” and “securing a good living environment and a sustainable regional structure”.

The National regional development targets 2011-2015 emphasise that the consequences of ageing can only be tackled in a holistic manner by taking demographic development into consideration in various policy areas such as education, employment, social and health care services, land use and transport planning and business development. The document highlights the need for cross-sectoral development work and for a renewal of the governance system by, among other things, increasing current levels of cooperation between the public, private and the non-profit sectors (Finnish Government, 2012a).

It should however be noted that the National regional development targets are drafted by each Government to cover their term of office alone. As such, new targets will be established by the incoming government at the April 2015 election.

National rural policy programme 2014-2020

The National rural policy programme is a tool for national rural development with a focus on development and policy that takes into consideration the needs and opportunities of different parts of the country. The programme takes as its point of departure the large-scale structural changes stemming from ageing and migration and notes the different kinds of consequences on different regions that these challenges have. It states

that ageing will have a particularly significant impact on sparsely populated areas (Finnish Ministry of Employment and the Economy, 2014b).

The programme identifies five thematic areas that are of specific interest for rural policy. These include participation and close-range demography, housing and services, infrastructure and land use, business and competence, and ecosystem services. The programme includes measures related to each of the five thematic areas. Some examples of the 63 measures are: implementing assessments of the effects of municipal mergers on rural areas and villages; increasing the availability of different housing forms for elderly people in rural areas; ensuring the availability of education in all regions by, for example, increasing cooperation between educational institutes; and developing business support suitable for and adapted to rural enterprises.

Rural Development Programme 2014-2020

The Finnish Rural Development Programme 2014-2020 has three strategic objectives: promoting bioeconomy with economically, socially and ecologically sustainable agriculture at its heart, diversifying industries and creating employment, and improving the vitality and quality of life in rural areas. Demographic challenges are included in the background analyses of the programme, where it is noted that in sparsely populated and rural areas, the working age population as a share of the population as a whole is at its lowest (Finnish Ministry of Agriculture and Forestry, 2014)

Relating in particular to demographic change, the programme supports activities to improve skills and the dissemination of information in rural areas while also promoting innovation and cooperation. It also supports actions related to the diversification of rural enterprises and increasing the employment rate, improving services and improving opportunities for participation (Finnish Ministry of Agriculture and Forestry, 2014). The total public funding for the programme is 8.265 billion euro. Although 90% of the funding is farm support, the programme is significant in funding for example entrepreneurship, services and various development projects (Anttila, 2015).

Fiscal equalisation

Finland has one of the largest cost and revenue equalisation systems as a share of government expenditure and GDP in the OECD (OECD, 2014). In principle, transfers from state-level to the municipalities are used as a way of promoting equality in access to social welfare and health care services and education as well as equality in taxation (OECD, 2014). The municipalities receive grants from the central government based on

population needs. In addition to the state grants, there is also a revenue equalisation system which redistributes tax revenue (OECD, 2014; Moisio, 2011).

Municipal reform

The Finnish municipal reform programme consists of several elements across a number of policy areas. The main aim is to create a well-functioning municipal structure with municipalities that are economically robust enough to efficiently provide their inhabitants with quality public services. This goal is to be attained mainly through municipal mergers and a fundamental re-evaluation and reform of the responsibilities and tasks of the municipalities (Ministry of Finance, 2014).

The reform process has been a long one with the current stage, commencing in 2011, building upon several earlier national initiatives. The reform has also, politically speaking, been widely contested. This overview provides a short introduction to the situation as it pertained in spring 2015 and it should be noted that as the reform is still ongoing, additional changes are likely to take place. Further changes are expected in particular as a consequence of the shift in political power following the election in April 2015.

The reform process addresses issues such as the consequences of having an ageing population and a decreasing share of working age population. In addition, issues relating to structural change at both the national and local economy level as well as specific issues like service provision are also discussed. A long-term approach is used based on an analysis and prognosis of the expected rate of demographic change in the coming decades. All of the elements and sub-reforms aim at ensuring that all inhabitants, independent of where in Finland they live, have equal access to quality public services. While creating economically robust municipalities, especially through mergers, the aim is also to improve local democracy and the opportunities for local inhabitants to participate in municipal decision making (Finnish Ministry of Finance, 2014).

The main elements of the reform include:

- The reform of the Finnish Local Government Act and the establishment of a new Municipal Structure Act
- The reform of state financing to the municipalities
- The social welfare and health care reform (including a legislative reform)
- The evaluation of the tasks of the municipalities
- Setting up specific policy solutions for the Helsinki metropolitan area and the other 11 biggest city-regions in Finland
- Expert support and assistance for municipalities for

different stages of the reform process (Finnish Ministry of Finance, 2014)

As the reform process is ongoing, its success cannot yet be evaluated. In its economic survey on Finland however, the OECD (2014) produced a study of the Finnish local government reform. It considers the municipal mergers to be essential since the municipalities account for two thirds of government consumption and mergers and other measures can offer opportunities for “efficiency gains”. The OECD also finds that even though the municipalities themselves may often prefer cooperation rather merger, cooperation on its own is often insufficient to meet the demographic challenges that many municipalities face. The survey also highlights that all the elements of the reform process are closely interlinked and thus its success is very much dependent on the successful implementation of each individual part.

3.2 Housing

In general, Finnish housing policy can best be characterised as ‘selective’, meaning that policy measures have predominantly focused on addressing “households of lesser means” (Bengtsson & Ruonavaara 2010, p. 197). Compared for example to Sweden, Finnish municipalities do not have the responsibility to provide housing for their inhabitants although Finland does also have a strong municipal planning monopoly tradition.

Finland has a national Housing Policy Action Plan (2012-2015) that focuses, on one hand, on increasing housing production, and on the other, on improving housing conditions for those groups in need of special support. Both of these issues can be seen as relevant from a demographic point of view when it comes to access to housing and the housing needs of an ageing population (Finnish Government, 2012b).

The Housing Policy Action Plan promotes various approaches on measures directed to growth centres and to more peripheral areas, explicitly focusing on measures to improve the housing situation in growth centres. Housing production will be increased especially in the Helsinki regions and other growth centres. It provides a key component of the plan to ensure sufficient housing provision in the central areas that function as the economic drivers of their surrounding regions. The plan does however also include five measures on developing the housing stock outside the growth centres. For instance, it is stated that municipalities with a declining population will, with support from state-level actors, draft housing plans that include

measures relating to the need for adaptation to possible problems arising from unused housing stock (Finnish Government, 2012b).

Following a recommendation presented in the action plan, a Development Programme for Housing for Elderly People was published in 2013. The programme has clearly has the challenges raised by an increasingly ageing population as its point of departure. The aim of the plan is to enable elderly people to live at home – as opposed to living in residential care - for as long as possible. Enabling home living is viewed as financially necessary with the share of the elderly population set to increase markedly. The programme does however also refer to a number of surveys where it is noted that the majority of the elderly population actually prefer living at home and that in clinical terms this may often be the best solution for the individuals concerned. The best way to enable this home living option is by renovating houses and residential buildings to make them more accessible to and suitable for the elderly population (Finnish Government, 2013b).

Housing, particularly as it relates to the increasing elderly population, is also discussed in the cross-cutting policy documents. For example the National rural policy programme 2014-2020 includes a broad range of national measures and has living and housing as one of its thematic areas with a particular emphasis on housing for an ageing population. One of the measures forwarded here is to increase the number of different types of housing forms such as communal housing or family care. It is also stated that the option to live at home for longer should be improved by developing varied, mobile and electronic home services that different actors can implement in cooperation with each other. The programme further states that the diversity of housing options in rural areas shall be increased with the amount of community living options increased. (Finnish Ministry of Employment and the Economy, 2014b) From a territorial perspective, making it possible for the elderly to live at home for longer could mean that some of the ageing population could remain for longer in their own communities, often in peripheral areas, without having to move to more central areas to access elderly residential care. Such a policy could also be expected to reduce the financial pressure on small municipalities with a high share of elderly population.

3.3 Education

The national regional development targets emphasise the role of education as the precondition for innovation, creativity and renewal in all regions. The regional development targets state that cooperation between

educational institutes and companies and other innovation actors in the regions will be strengthened in order to create the preconditions for an effective response to the long term demands of the labour market and to improve employment opportunities across the labour force.

The targets also state that education forecasting shall be conducted in order to respond to changing needs. It is noted that the network of educational facilities will be adapted to the changes in the demographic structure and expected labour force requirements, while at the same time ensuring access to education and equality between regions by increasing cooperation and the use of new digital solutions (Finnish Government, 2012a).

Access to education is a challenge in the sparsely populated Finnish regions, and it is also identified as one of the main challenges related to distance and peripherality in the Finnish Structural Funds programme. New further education solutions for the labour force make it possible for enterprises to remain in the regions and also contribute to the establishment of new enterprises. It is also stated that especially in vocational education, there is a need to develop new solutions which better respond to local challenges in sparsely populated areas. The programme will, among other things, support different modes of distance learning and web-based education. Emphasis is also placed on the notion that the provision of educational services needs to be tailored to the opportunities provided by the region itself (Finnish Ministry of Employment and the Economy, 2014a).

In the National rural policy development programme 2014-2020 it is stated that the accessibility of schools has decreased during the 2000s. As such, the programme includes a measure to ensure the availability of education by increasing cooperation between educational institutes as well as between education providers and other actors. In addition, developing and utilising new forms of education utilising ICT technologies is supported also here. The programme further emphasises the importance of ensuring the availability of vocational education in professions that are important for the rural areas and making those professions more attractive to young people (Finnish Ministry of Employment and the Economy, 2014b). The Rural Development Programme 2014-2020 also supports education in rural areas in order, for example, to increase skills and competence levels in rural companies (Finnish Ministry of Agriculture & Forestry, 2014).

Finland is in the process of restructuring its higher education system with the aim of reducing the number of higher education institutes while improving regional cooperation within the sector. Secondary education was also due to be reformed but the reform proposals



Photo: Benjamin Suomela / Norden.org

which aimed to reduce the number of small secondary education institutes was not accepted by the Finnish parliament. The new government's plans concerning secondary and third level education facilities were still unclear at the current time of writing.

3.4 Services

The Finnish municipalities have traditionally been self-governing with responsibilities such as organising social welfare and health care service. Ongoing demographic development and the fiscal problems stemming from various changes in the operational environment of the municipalities have however made it increasingly difficult to ensure the availability of high quality services in all municipalities across the country. The policy discussion on demographic change in relation to services in Finland focuses in particular on social welfare and health care services. Therefore, the reform of the administrative structure of social welfare and health care is presented as a separate section in this chapter.

The need to further develop existing governance structures is promoted in the Finnish policy discussion as one way of ensuring that service provision levels across the country are protected. From a governance

perspective, ensuring a certain measure of equality in terms of service provision is one of the main aims of the municipal reform, where the creation of larger municipalities with the ability to provide a basic range of services at the necessary level has been identified as the main way of ensuring that all inhabitants across the territory of Finland will have equal access to high quality services (Finnish Government, 2012a).

In addition, developing new types of governance structures and cooperation models between the public, private and the third sectors in order to find ways to ensure service provision are seen as essential (see e.g. Finnish Government, 2012a). For example the Finnish Structural Funds programme emphasises the need for innovation and networks between actors and considers it essential to utilise the resources of all actors (including also non-public sector actors) (Finnish Ministry of Employment and the Economy, 2014a).

On rural areas, the National rural policy development programme 2014-2020 states that the models for service production in the countryside shall be developed further. Developing new service production models based on both cooperation and governance changes and new digital solutions is a central element of this strategy. Examples here include the development of different kinds of mobile services, service kiosks, distance

services and solutions based on combining services (Finnish Ministry of Employment and the Economy, 2014b).

Service provision is an important area of rural development and, as such, is included in the Rural Development Programme 2014-2020. This programme oversees investments in service provision at the village level in order to increase the vitality of rural areas. The programme promotes a set of guidelines which ensure that projects take into consideration how the needs of different kinds of demographic groups are to be financed. It also supports the development of new operational models and increased cooperation between actors to improve service provision (Finnish Ministry of Agriculture and Forestry, 2014).

The reform of the administrative structure of social welfare and health care

The reform of the administrative structure of social welfare and health care services was initiated in the mid-2000s. It has proved to be a long process with a number of significant changes made in order to establish a new structure for the administrative system used to organise social welfare and health care. In general, the aim of the reform has been to respond to the challenges faced by the municipalities and to ensure that high-quality services can be provided to all citizens independent of their place of residence. The reform has aimed to do this by, among other things, simplifying the governance structures related to social welfare and health care services (Finnish Ministry of Social Affairs and Health, 2014). The general idea behind the reform was to effectively centralise the system which has hitherto been decentralised and where the municipalities have traditionally had tasks and responsibilities.

The process of preparing the reform has however been somewhat challenging, and in March 2015 the Constitutional Law Committee of the Parliament of Finland rejected the new legislation on the administrative structures of social welfare and health care as it was currently presented. The Committee rejected the proposal based on constitutional problems related, among other things, to the perceived reduction in democratic oversight over the proposed new arrangements and a lack of transparency over financing models. As insufficient time was available to draft a new proposal before the end of the legislative term and before the election in April 2015, the proposals were withdrawn (Parliament of Finland, 2015). At the current time of writing (May 2015) it is unclear how the new government propose to proceed in this matter.

3.5 Employment

In Finland, the challenges posed, in terms of employment, by population ageing and an unbalanced dependency ratio are recognised and discussed both by the general public and at the policy-making level. Pension reform is the most significant initiative related to the consequences of demographic change on employment. Agreement has been reached to raise the pension age by two years and to gradually increase the pension age over time. The overall aim is to both prolong working careers and to reduce the sustainability gap in the public finances (Eläketurvakeskus, 2014). The Government's bill on a pension reform will be presented to the Parliament in fall 2015.

Finland aims to increase its labour market participation rate through the introduction of various measures such as the youth guarantee which seeks to address social exclusion. The fact that young people are finding it difficult to enter the labour market is a growing problem for the national economy and the future labour supply particularly when the share of working age population is decreasing. The guarantee stipulates that, "Each young person under 25 and recently graduated people under 30 will be offered a job, a work trial, a study place, or a period in a workshop or rehabilitation, within three months of becoming unemployed" and that "Every person completing basic education will be guaranteed a place in general upper secondary school education, vocational education, apprenticeship training, a youth workshop, rehabilitation or a place in some other form of study" (Nuorisotakuu, 2013). This national initiative addresses all regions in a similar way but is likely to be particularly important for peripheral regions with already high levels of youth unemployment.

Employment measures are also included in many cross-cutting policies for regional development. For example, in the Finnish Structural Funds programme 2014-2020, employment measures are seen as elemental for regional development as it is stated that improving the educational and employment opportunities of young people is the best way to ensure that elderly people have the opportunity to access services and thereby to remain in their own homes. This illustrates well how the various policy areas targeting demographic change are interlinked. Increasing the employment rate by employing various types of employment and education measures is one of the focus areas of the European Social Funds programme for Finland (Finnish Ministry of Employment and the Economy, 2014a).

The National rural policy development programme 2014-2020 also notes that the availability of compe-

tence and a well-functioning labour market is a prerequisite for a well-functioning business life in the regions. In rural areas there is already a need for more labour in, for example, primary production, food processing and the metallurgy sector (Finnish Ministry of Employment and the Economy, 2014b) The Rural Development Programme 2014-2020 in turn emphasises entrepreneurship and renewal and the diversification of rural businesses (Finnish Ministry of Agriculture and Forestry, 2014).

The national regional development targets 2011-2015 notes that those regions currently losing population and experiencing a decline in labour force participation need to be provided with measures to better adapt to the situation. The measures focused on better utilising the labour reserve include improving the matching between education and labour demand by developing the connections between education and labour markets as well as developing possibilities to commute and to work from distance (Finnish Government, 2012)

The need for innovative approaches is emphasised in Finnish policy-making when it comes to developing measures promoting employment. In the Structural Funds programme, it is for example noted that part-time or distance work models for sparsely populated areas shall be developed and that social innovation should help to develop services promoting the employment of young people and people with a weak labour market position (Finnish Ministry of Employment and the Economy, 2014a).

3.6 Tackling demographic challenges – mitigation or adaptation?

In Finland⁸, demographic changes and analyses of their consequences function as a point of departure in many regional policies and major reforms. Demographic change both in terms of ageing population and out-migration are also factored into sectoral policies. For example, housing policy has begun to address the issue of housing for elderly people with a view to lessening the financial burden of care by enabling the elderly to live at home for longer. Elsewhere, a new kind of governance structure in social welfare and health care provision has been under preparation aiming to ensure equal access to those services in all regions, since the population in many municipalities is both ageing and decreasing which makes it difficult for the municipalities to adequately address the financial burden of service provision.

⁸ These conclusions are based on the situation at the current time of writing (spring 2015) before the election and the change in government.

The recognition that demographic change combined with a number of other structural changes and various global megatrends are having a severe fiscal impact has led to major national reforms in Finland's governance system. Historically, Finland has been one of the most decentralised countries in the EU and the OECD. Given the challenges faced current trends are moving towards an increase in centralisation which is now viewed as the best way to ensure functioning governance and equal service provision across the country.

The ongoing municipal reform initiative and the reform of social welfare and health care services are among the largest reforms in Finnish history and clearly stem from the recognised need to adapt the governance system to the impacts of demographic change and the financial challenges this will impose upon the municipalities. Based on its Economic Survey on Finland, the OECD (2014) recommended that Finland continue to promote municipal mergers and the scaling back of the responsibilities of the municipalities although the expected outcomes of the reform process have also been criticised by researchers who note, for instance, that there is no one optimal size for a municipality and that it is not clear whether all municipalities in all cases benefit from mergers (Meklin & Pekola-Sjöblom, 2013). The reform processes themselves have, moreover, been seen as challenging and have been widely contested. The municipal reform has for example been criticised for providing inconsistent national guidelines as the preparation of the various parts of the reform was undertaken by different ministries (Meklin & Pekola-Sjöblom, 2013).

Changes in the governance system seem to be the primary way in which Finnish policy seeks to adapt to the challenges of demographic change. The two main reforms provide examples of the governance system being adapted to the challenges raised by demographic change facing the municipalities, although changes in the modes of governance are also included in sectoral policies as a way in which to address this issue. For example, when discussing the provision of services, the idea of utilising the resources of all actors has emerged as a way of ensuring service provision. 'All actors' in this case refers to the municipalities, the private sector and the third sector. Furthermore, the need for further cooperation between actors and to find new modes of working is also emphasised.

Looking at how Finnish policy has sought to internalise the likely effects of demographic change, it seems that the main focus has been on adaptation to the changes such as ageing and out-migration rather than the mitigation of these changes through, for example, the promotion of attractive living environments

across all parts of the country. In addition, it seems that Finnish regional development policy has primarily viewed demographic change as a challenge and as such, the focus is clearly on what needs to be done in order to meet this challenge. The existence of potential opportunities in respect of demographic change are neither analysed nor linked to measures or goals. This is, moreover, something that has been noted by the evaluators of the Structural Funds programme for Finland 2014-2020 (Finnish Ministry of Employment and the Economy, 2014c).

It should also be noted that although the main focus has been on adapting to demographic change, employment policy has clearly been designed to mitigate these changes by attempting to recruit a broader potential labour force into the labour market. In practice this entails measures such as increasing the retirement age and promoting youth employment. Although these mitigation approaches do not have explicit spatial implications they are nevertheless likely to have a more significant impact on the kinds of, often small and rural municipalities and regions, hardest hit by demographic change and the challenges it brings.

4. Iceland

In the second half of the 20th century, urbanisation in Iceland was marked by migration flows from rural and small coastal villages to the capital area (Eðvarðsson et.al 2007). In the first decade of the 21st century, Reykjavik and the surrounding municipalities continue to draw people in from other regions of the country while the international immigration of foreign citizens has also added significantly to population growth in the capital area (Júliúsdóttir, Skaptadóttir & Karlsdóttir, 2013). In terms of the settlement structure of Iceland, the capital region dominates. In 2014, 64% of the country's population of 325 671 people lived in the capital region (Statistics Iceland, 2015).

As in the other Nordic countries, Iceland is currently discussing what the broader impacts of an ageing population are and how, in policy terms, this will be handled. Central to these discussions are questions such as whether the retirement age should be raised, whether and how to reform the pension system and also, how to ensure the continuing quality of welfare services. No firm reform proposals have as yet been forwarded within these fields. One of the main reasons for this is that population ageing has not come as far as in other Nordic countries as Iceland has a birth rate of 2.04 (Eurostat, 2013) which is the highest in the Nordic countries and also among the highest in Europe. The relatively high birth rate still compensates for an ageing population and outmigration in many parts of Iceland. Iceland has – together with the Faroe Islands, Greenland and parts of Norway - a younger population than in Finland, Sweden or Denmark.

Unlike much of the rest of the Nordic countries then Iceland does not, in general, have a deficit of young people of either gender. In fact, it receives a surplus of young people from abroad, especially of foreign males. The regional pattern does however record that the young aged population (between 16-24 years) is declining in the rural areas (Karlsdóttir et.al., 2015).

The most badly affected areas in terms of the outmigration of young people to urban areas are the traditional farming regions and the smaller coastal villages, especially in East Iceland and in the West fjords. Young people tend to move either to Reykjavik or abroad where they go, primarily, to the other Nordic countries (Hansen, Rasmussen & Roto, 2012).

4.1 Cross-cutting policies

Regional plan 2014-2017 and Iceland 2020

The regional plan 2014-2017, approved by the Icelandic parliament, contains the overall strategy for regional development in Iceland. The main goal is to secure good living conditions in all parts of the country with a special focus on communities outside the capital area. The main focus areas of the plan are infrastructure, special measures in vulnerable areas, and employment and public services (The Icelandic Regional Development Institute, 2015). The Icelandic Regional Development Institute, Byggðastofnun is in charge of the implementation of a number of the objectives in the regional plan.

In 2010 the Icelandic government introduced Iceland 2020. This is a macro policy statement embedding a vision for the future, which was developed through dialogue and collaboration between hundreds of Icelanders across the country. The consultation process included regional associations, local authorities, trade unions and special interest groups. The guiding principle from the very outset was to establish an integral vision and common objectives to ensure more targeted and effective policy-making and planning within the public sector, and to enhance collaboration between the state level and the municipalities and across all administrative policy levels. The policy statement presents 20 macro objectives and 30 actions and tasks designed to act as the first steps towards reaching the overall objectives in respect of Iceland 2020. One of those actions/projects was to develop regional plans of action.

The plans of action were formulated for each of the eight regional districts. For the first year (2013-2014) the plans were funded from a long-term investment plan. In the future the plan is to finance the regional plan through merging growth agreements, cultural agreements and by restructuring and integrating the regional employment and development frameworks. The objectives of the plans are founded on the macro objectives of Iceland 2020. The prioritisation of specific projects within the plans is determined by the local population in each area.

The objective of these regional plans is to empower the regions by giving them the power to prioritise gov-

ernment's funds that are not bound by law. In the first year of the plans the focus was on projects in the fields of economic and innovation development, education, marketing and culture.

As part of the initiative, common forums were defined in each region where local governments, economic and institutional representatives and community leaders within civil society took part. These forums will, in future, gradually replace the various boards and committees previously involved under the current structure. The responsible partners within the regions were the regional associations of municipalities. Within government there was a governance network with participation from all ministries and the association of municipalities as well as the Icelandic Regional Development Institute.

The governance network was designed as a governance innovation. All eight ministries took part and formed a horizontal approach to the field of regional policy and planning (Sveinsdóttir, 2013). The parliament will, in spring 2015, review a bill that combines the legislation and action of region plans and action plans on growth agreements and culture in the regions outside the Capital area (Icelandic Parliament, 2015d). In 2013 around 3.9 million euros were allocated to this experiment. In the existing structure, approximately 19 million euros of government funds were tied up in 190 contracts between government, the regions and the municipalities (Sveinsdóttir, 2013).

Action on vulnerable communities

In 2012, the regional development institute initiated an action plan as a mitigation measure for communities facing rapid population decline. This was an experiment designed to help empower vulnerable communities. Four communities have, thus far, been identified as eligible for the programme, Raufarhöfn (NE Iceland), Bíldudalur (NW Iceland), Breiðdalshreppur (E Iceland) and Skaftárhreppur (SE Iceland).

The methodology applied in consulting the local population in the self-defining steps ahead, involves local workshops arranged and funded by the regional development institute in collaboration with local people. The programme utilises a foresight process. The workshops serve the role of outlining future possibilities in respect of the local community, while also searching for solutions in terms of collaboration with the national authorities, the regional associations, the regional business councils, the municipality and the emigrated former population among others.

The four communities involved have in recent years experienced rapid declines in their populations and a skewed age composition among their inhabitants. All

four communities are located in so-called cold zones (where they do not enjoy geothermal house heating) and there is a shortage of housing, particularly rental housing. The project is still being formalised and will serve as an experience generator in terms of moulding certain tools and in the creation of a more comprehensive plan on how to deal with the profound and serious devolvement of individual communities in the years to come.

Cross cutting policies with a territorial effect

The Local Authorities' Equalisation Fund has operated continuously since 1937. When changes were made in the division of responsibilities between the state and the local authorities at the beginning of the 1990s, the operations of the fund were subjected to a thorough review, greatly increasing its equalisation role. The main changes made to the fund since that time have been connected with the transfer of the costs of running elementary schools from the state to the local authorities on 1st August 1996, when its equalisation role was increased still further, and with the transfer of the costs, in respect of services to disabled people, on 1st January 2011 (Icelandic Ministry of the Interior, 2015).

A number of other cross-cutting policies with a regional development effect have also been implemented by the regional development institute, through the ministry of industries and innovation, in recent years. One such example is support to companies related to transport costs (through a special equalisation fund) where companies in peripheral areas can seek support to improve their competition conditions (Legislation nr. 160/2011 on equalisation of transport costs). In 2015, the government supported 58 companies in peripheral areas with 170 million ISK. Most of the support was received by companies in North East Iceland (59%) and in the Westfjords (23%) (Icelandic Ministry of Industries and Innovation, 2015).

Several other cross cutting policies with a regional development effect are still being formed as bills or being reviewed in parliament and/or in designated committees. They are diverse in aim and range from infrastructure-related policies to tourism and business development related efforts.

There is already a broad consensus across all parties on the need for the energy cost equalisation bill (support to 10% of households in Iceland who do not enjoy geothermal house heating) (Icelandic Parliament, 2015), with this planned to come into effect in 2016. Another related parliamentary issue under review is the distribution of electricity and the equalisation cost policy associate with it. This will also come into effect in 2016 (Icelandic Parliament, 2015a).

The national authorities have, since the implementation of capital controls in 2008, been concerned with lack of incentives for foreign direct investment into the country, something which has seriously affected the competitive performance of the national economy. The current government has issued a bill on concessions in respect of new foreign direct investment in Iceland (Icelandic Parliament, 2015c). The aim is to clarify the mandate of national authorities and municipalities to form special investment agreements to spur economic growth and secure regional development. The EFTA surveillance authority has approved this state aid initiative based on the Icelandic regional aid map 2014-2020 (EFTA surveillance authority, 2014). The concessions are in the form of deductions in respect of taxes, and in some cases in land appropriation (Icelandic Parliament, 2015c). They have a clear regional development aim. The Icelandic authorities have, by using the map, identified two statistical regions, a) The Capital region (Höfuðborgarsvæðið) and b) Iceland outside the Capital region (Landsbyggð). 'Iceland outside the Capital region' is a statistical region at NUTS 3 level with less than 12.5 inhabitants per km². Therefore the designated area qualifies as a sparsely populated area according the EFTA states RAG paragraph 149 and is therefore eligible for regional aid under the rules for derogations under Article 61(3)(a) of the EEA Agree-

ment (EFTA Surveillance Authority, 2014).

As the above-mentioned framework law on concessions in respect of new foreign direct investment has not yet been passed through the Icelandic Parliament, even though it was first issued as bill in 2010, this led to one case where a special agreement had to be formed instead of basing actions on the framework law.

In 2013 the government signed an investment agreement with PCC SE and PCC BakkiSilicon hf concerning the location of a silicon metal smelter plant on the property of Bakki in the municipality of Norðurþing. The agreement includes the granting of incentives from the government to the extent permitted under state aid rules. Annual production planned will be up to 33 000 tons of silicon material per year, with a view to expanding the capacity up to 66 000 tons per year when circumstances permit (Icelandic Ministry of Industries and Innovation, 2013).

4.2 Education

The school system is highly decentralised, with local communities having responsibility for pre-primary and compulsory schools and schools at all levels having a fair amount of autonomy. One of the effects of this decentralisation is the lack of an overview on the status of the effectiveness and efficiency of resource use (Ice-



Photo: Yadid Levy / Norden.org

landic Ministry of Education, Science and Culture 2015). Several reforms and political initiatives have been launched in recent years designed to address these challenges. One of them is an ongoing reform initiative introduced in the publication of a White Paper by the Ministry of Education, Science and Culture (Icelandic Ministry of Education, Science & Culture, 2014).

There is also ongoing discussion on the issue of institutional mergers in respect of Higher Education in Iceland. The Ministry of Education and Culture is in the process of developing policy on Universities and a science strategy. On that basis, some suggestions will be forthcoming on the reform of the university system (Icelandic Ministry of Education, Science & Culture, 2015). Here efforts will focus on prioritising stronger, progressive and more coordinated university functions, increased quality and the improved utilisation of common human and capital resources.

Many reports and reviews have been produced in recent years, and detailed analytical efforts have been devoted to assessing the benefit of a merger between the University of Iceland and the Iceland Agricultural College (2009). Reviews from the Quality board (Gæðaráð Íslands), and the State revision (Ríkisendurskoðun), advice from the parliament's financial committee and the tentative plan for economic restructuring and effectiveness' committee of the parliament as well as the strategy of the Science and Technology Council all contribute to form the policy. Across the various studies and reviews, and political opinions published, the common finding is the necessity to develop planning and a long term strategy for the university system and the scientific community (Icelandic Ministry of Education, Science & Culture, 2015).

The competitive aspect of university activities cannot be ignored and for small university units, this poses significant challenges. According to the current minister Illugi Gunnarsson, it is necessary to assess the status of the universities with this in mind, improving the conditions for the universities and finding solutions to strengthen them (Icelandic Ministry of Education, Science & Culture, 2015).

4.3 Services

In the health care sector one important recent change has been the merger of health care institutions outside the Reykjavik area. In North Iceland, South Iceland and in the West Fjords institutions the mergers took place during the autumn of 2014, in West Iceland and East Iceland the institutions had already been merged two years before. Many municipalities however remain sceptical of the mergers process and particularly of its

impact within their own areas.

It is however too early to say anything meaningful about the impact of the merger of hospitals and other health-care institutions. One of the largest national projects in health-care reform in the years to come is the plan to build a new state hospital (landsspítali) in Reykjavík (Icelandic Ministry of Welfare, 2011). This huge construction will, moreover, likely have an effect on resource distribution devoted to state funded health care more generally and thus will, in future, undoubtedly affect these services in the communities beyond the Capital area. The municipalities are currently co-operating for example over care for the disabled as it is simply not possible for small municipalities to provide good quality services in this area on their own.

The regional development institute has worked on mapping different types of private and public services available in the regions, municipalities and villages of Iceland. This work is ongoing (Icelandic Regional Development Institute, 2014).

4.4 Housing

Statistics Iceland, the national centre for official statistics, publishes and regularly updates a population projection for the country as a whole, but the only population projections presented for individual regions and municipalities are those that local authorities present in their plans. Over the past two decades the population growth in Iceland has largely occurred in and around the capital, while the population in smaller towns and rural areas around the country has, overall, been relatively stable. Statistics Iceland predicted the population would grow by nearly 0.3% annually in the first years after 2010, rising to 0.9% in 2020 and from then on decreasing until 2060. The forecasted population forms the basis for decisions on residential areas along with demographic factors such as average family size and age composition. Other factors, including age and quality of housing, availability and mortgage rates, also have an impact.

The housing situation for smaller settlements beyond the capital region and its impact zone has been problematic for many years. Many of the fishery and farming communities with a declining population have a significant dilemma in terms of housing. Either the housing facilities located in the village are under-utilised because they are surplus to current requirements because the former activities that necessitated them have now closed down. Or the private housing stock is taken over by those who inherit the property from deceased family members or who have bought it from relatives, or it is simply being kept empty within

the family of the out-migrated former inhabitants. This raises several dilemmas.

The market worth of a house or flat in a declining village is so low that it is not beneficial to sell even if it is in demand. The price gained will barely cover mortgage expenses or collaterals on the house. Moreover, if a village needs more housing because of new or growing occupational activities new construction is barely cost effective. As an example of this dilemma, one fourth of the housing mass in Siglufjörður NE Iceland, is now secondary homes (Bjarnason & Stefánsson, 2010; Huijbens, 2010).

While it is positive that small villages with a permanent population in decline attempts to maintain its housing stock through restoration it remains problematic for newcomers, where they exist, to rent houses. This peculiar stagnation prevents the necessary dynamics emerging in the housing market and thus also the renewal of inhabitants in some cases. As such, while excess housing exists in many of the more peripheral areas, there nevertheless remains a scarcity of available rental housing units. The mismatch is exacerbated by the fact that while new man-made structures are economically irrational, they are nevertheless valuable for society.

During Iceland's presidency of the Nordic council of Ministers in 2014, the housing minister increased their efforts to draw up a bill for the reform of the social and rental housing sector with the relevant authorities in Iceland and the minister discussing how best they can learn from the experience of "almennyttig bolig" mass in Denmark (Icelandic Ministry of Welfare, 2014).

4.5 Employment

After the banking system collapse in 2008, Iceland saw a significant increase in bankruptcies and mass layoffs, and hence considerable unemployment. Although the unemployment rate was below two digits in most regions except for south-west Iceland, and therefore not that dramatic seen from mainland European perspective, this turn of events came as a great mental shock to Icelanders (Benediktsson & Karlsdóttir, 2011).

Large scale unemployment was for many years almost unthinkable. In fact, since the 1990s the demand for labour had been such that immigration on an unprecedented scale took place (Skaptadóttir & Wojtyńska, 2008), with the percentage of foreign born residents quickly reaching levels comparable to those of the neighbouring Scandinavian countries that have a much longer history of receiving immigrants. But the

scourge of unemployment did hit the regions differently. Unemployment was highest in the South-west, a region that had also had to cope with the sudden disappearance (in 2006) of the large US Air Force base at Keflavik.

In the fisheries communities however the situation improved. Commodity export sectors such as the fisheries were in fact, due to the devaluation of the local currency, performing quite well. In general, exporters became more competitive in the wake of the plummeting Icelandic currency. The employment level in those regions mostly dependent on fisheries became, just after the collapse, much higher than elsewhere in the country. During the banking bubble, fisheries had been relegated to a back seat in the minds of many Icelanders. Jobs in the fisheries industry were perceived as a last resort and the resource-based localities suffered from high out-migration and insecurity. In contrast, the fishing villages and towns of the Westfjords, for example, found themselves in an advantageous situation at first, comparatively speaking, but as time passed their employment situation eventually worsened in line with the rest of the country.

With signs of recovery in early 2013, Iceland had in the meantime experienced a large reversal in the emigration of Icelandic citizens. After 2008, other Nordic countries became popular destinations for Icelanders seeking full-time employment or extra income from short and intensive work trips. These short work trips have become more common among skilled health workers. The majority went to Norway, where firms and municipalities in more peripheral regions actively recruited both short-term employees and new inhabitants from Iceland (Júlíusdóttir, Skaptadóttir & Karlsdóttir, 2013).

By 2014, unemployment levels had declined and were 5.4% for the capital region and 4.1% for the rest of the country (Statistics Iceland, 2015).

Tourism has increased significantly over the last decade, which has seen an unprecedented growth in inbound tourism receipts as well as in revenues. With the plummeting currency value even inbound weekend tourists are drawn to Iceland increasing the much needed year round tourism flow. Tourism thus contributed to the much needed growth in employment opportunities during the summer season within this cross sectoral activity, also in the rural regions (Icelandic Tourist Board, 2014). The effect of inbound tourism is largely however in the off peak season and is generally confined to the Capital region and the area within a 100 km radius of the southwest urban centre.

4.6 Tackling demographic challenges – Mitigation or adaptation?

National policies in Iceland are mainly being developed in response to the changing demographic picture. A few recent policy actions have however aimed at mitigating the negative spiral of regional development. This includes the action on ‘vulnerable communities’

described above. The bill on transport subsidies is another action aimed at mitigating the uneven conditions faced by the more peripheral communities, in their attempt to attract and support commercial enterprises. Most of the other actions described above are responsive and aim at adapting to changed conditions in Iceland’s rural and regional patchwork.

5. Norway

Compared to the other Nordic countries, Norway has the largest proportion of its population living outside urban areas. Figures from Statistics Norway show that Norway has seen very high population growth over the past six years. The challenges of maintaining a decentralised pattern of administration in Norway have however changed substantially in recent decades primarily due to high birth rates in urban areas and to immigration. Previously, net migration from peripheral regions was to some extent offset by more children being born in these areas. Thus, the excess number of births made sure that these regions avoided a major population decline even with a large net out-migration. Today however birth rates are lower and more evenly distributed geographically. As a consequence, many areas are experiencing population decline both due to the net migration of the young and because of low birth rates. In addition, there are regions that are experiencing population decline despite net in-migration and regions that experience population growth despite low birth rates.

Net immigration from abroad, for 2012, was 47,343 people and was responsible for 72.4% of the population growth, which is about the same as for the previous five years (Norwegian Ministry of Local Government and Regional Development, 2013b)⁹. Net out-migration has historically however been significant in the peripheral regions. Domestic net out-migration from rural areas and small centres has slowed somewhat in recent years, and in 2011 there was even a small population growth in these areas. The growth is mainly due to immigration from abroad (Norwegian Ministry of Local Government and Regional Development, 2013b). This means that although the rural and regional population development is to a large extent characterised by centralisation, where an increasing share of the population lives in or near major urban centres, the peripheral areas have managed to maintain their population due to immigration from abroad.

Rural and regional policy in Norway is tasked with laying the groundwork for the promotion of growth

and ensuring good living conditions exist in all parts of the country. The main objectives are to maintain the main features in settlement patterns, to utilise the human and natural resources of the country to ensure the greatest possible national wealth creation, and to ensure equal living conditions in order to provide people with real freedom to settle where they want. This involves the development of workplaces where people live; equal access to quality services and welfare services in all parts of the country; and villages and towns that are attractive for settlement (Gløersen et al., 2013). The Ministry of Local Government and Modernisation is responsible for developing and monitoring the rural and regional policy objectives. The Ministry has a particular responsibility to help trigger value creation potential in areas where market imperfections and where geographical and demographic preconditions pose challenges for growth and development (Norwegian Ministry of Local Government and Modernisation, 2014c).

5.1 Cross-cutting initiatives and strategies

The current government has made a determined effort to change the direction of rural and regional policy by taking a much broader approach to these issues. This implies that efforts will be targeted at developing the interaction between cities and their surrounding regions and to improve the private sector's overall framework conditions.

National budget

The policy objectives for regional and local development are mentioned in the national budget in the specific section that covers regional and local development (programkategori 13.50). The Ministry of Local Government and Modernisation (KMD) is responsible for issues related to rural and regional policy in Norway. The majority of the allocated funds for regional and rural development are transferred to the counties, which are responsible for promoting wealth creation and regional development in their respective counties, based on national guidelines.

⁹ After the election in 2014 the Ministry of Local Government and Regional Development was replaced by the Ministry of Local Government and Modernisation.

The budget for 2015 (Norwegian Ministry of Local Government and Modernisation, 2014c) highlights three main priorities, with the first two being particularly relevant for issues associated with demographic change:

- To contribute to a vibrant local democracy and the strengthening of municipal welfare services. The economic programme for the local government sector in 2015 paves the way for continued growth and the improvement of services in the municipalities and the counties
- To renew, simplify and improve public services through the digitization of public services and work processes in order to provide better services and a more efficient public sector. This includes faster and simpler rules for objections in construction projects
- Suitable housing for all

The state budget specifically notes that the changing demographic structure in Norway is a key challenge. Over the past two decades, several factors have contributed positively to public finances (e.g. strong growth in the petroleum industry) while demographic developments have also been relatively favourable to the public finances as the old age dependency ratio has declined. In the coming years however these trends will gradually reverse, implying that the ratio of elderly persons (ages 67 and over) to persons of working age will double by 2060. This changing age composition of the Norwegian population will weaken the fiscal base for public services and social transfers. Thus, as an important tool to offset this development, pension reform is meant to encourage more people to remain economically active.

The cross cutting measures that will be further discussed below are also mentioned in the national budget for 2015.

Regional Development Grants

Regional development grants are meant to contribute to the realisation of national and county level goals for regional development, goals which are adapted to regional challenges and preconditions. The effort is specifically targeted at innovation and businesses creation in all parts of the country (Norwegian Ministry of Local Government and Modernisation, 2014c).

Resource redistribution to the counties is designed to ensure that the necessary level of resources go to areas facing special challenges, in the form of weak population growth, large distances and challenges related to employment, labour and living conditions. Municipalities in Northern Norway, especially in the Action zone

in Finnmark and Nord-Troms, as well as the municipalities that have a low score on the periphery index, are given extra weight when the grants are distributed.

The counties may delegate administrative responsibility for the funds to other actors, such as municipalities and the county councils, or agencies that work to support regional and local development policy objectives, such as Innovation Norway, SIVA and the Research Council. Parts of the grant are also allocated to encouraging participation in INTERREG (European territorial cooperation) programmes (Norwegian Ministry of Local Government and Modernisation, 2014c).

Innovation Norway provides risk loans targeted at rural areas (“distriktsrettet risikolån”). The loans have the same objectives as the nationwide innovation loans which partially finance commercially and socially profitable development and restructuring projects, but must also protect rural and regional policy objectives (Menon, 2013). Compared with the nationwide innovation loans however there is a lower expectation here in respect of innovation. Rather, the risk loans targeted towards rural areas are aimed at ordinary investment projects that otherwise have difficulty in obtaining financing through the private sector because of the lack of security. The counties are responsible for allocating the funds within this scheme (Menon 2013). The evaluation of the scheme provided by Menon shows that the risk loans are economically profitable and play an important role in those regions where it is historically difficult to secure financing from the local, regional or national banks (Norwegian Ministry of Local Government and Modernisation, 2014c).

The development programme for urban regions (“Utviklingsprogram for byregioner”) aims to increase knowledge about the interplay between the city and surrounding areas in order to strengthen these areas’ regional growth potential¹⁰. The programme is divided into two phases where networking is the central goal; Phase 1 lasted for one year and was largely completed in 2014. Phase 2 will last for three years and will be implemented in the period 2015-2017. The purpose of Phase 2 is for participants to come up with, and implement locally, rooted strategies and measures within a topic/area of society on the basis of the economic interaction between the city and surrounding countryside to promote economic growth in the region. Through the programme the Ministry of Local Government and Modernisation (KMD) is granting up to 91.5 mill NOK for the period 2015 to 2017 to support the development of strategies and measures that can help to promote

10 <http://distriktssenteret.no/byregionprogrammet/>

economic growth in the region based on the interaction between the cities and their surrounding areas.

Action zone in Finnmark and Nord-Troms

The action zone was established in 1990, motivated by the negative trend in population and commerce - especially in the fishing industry - and to remedy high unemployment and generally poor conditions for the population more generally. The zone covers all municipalities in the county of Finnmark and seven municipalities in Nord-Troms: Kåfjord, Skjervøy, Nordreisa, Kvænangen, Karlsøy, Lyngen and Storfjord.

The policy instruments involve a mix of industry-oriented and individual-oriented instruments. These instruments are meant to make Finnmark and Nord-Troms more attractive for settlement, employment and labour, as well as to stimulate positive development trends and to counteract negative trends in industry and employment. The most important instruments involve:

- Exemption from employers' national insurance contributions
- Write-down of student loans by up to 10 percent of the original amount, maximum NOK 25,000 per year
- Exemption from electricity tax on consumption
- Reduction in personal taxation
- Increase in family allowance – the so-called “Finnmark supplement”

Studies have concluded that the policy has had a positive impact; during the past 20 years there have been significant changes in both the demographic and industry structure in the Action Zone. The area has seen increased immigration, a decline in emigration and a small excess of births (Angell et al., 2012).

Regional differentiation of social security contributions

Differentiated employer social security contribution is a tax policy measure that compensates for some of the challenges related to a scattered population and long distances. The objective is to reduce or prevent depopulation in the most sparsely populated regions in Norway by stimulating employment. The scheme is designed to offset employment costs. Accordingly, undertakings located in the least populated areas pay social security contributions at a reduced rate (EFTA, 2014). The scheme covers 233 municipalities and 20 percent of the population.

Social security contributions have been regionally differentiated in Norway since 1975, and regionally dif-

ferentiated social security contributions are an important and targeted regional policy instrument. Public support is, as a rule, prohibited by the EEA Agreement. However, there are several exceptions to this rule including, among others, measures to promote important social goals such as regional development, research and environmental initiatives (Norwegian Ministry of Local Government and Regional Development, 2009).

All employers in Norway are subject to compulsory contributions to the national social security scheme, which is calculated on the basis of the gross salary paid to the employee. The regional differentiation of payroll tax instruments allows for reductions in the social security contributions payable below this general rate. The selection of the geographical areas eligible for reductions in payroll tax is based on a periphery index developed by the Norwegian authorities that reflects the four major socioeconomic factors (geography, demography, labour market and income) deemed relevant for distinguishing the degree of peripherality in the regions of Norway (EFTA, 2014). Based on this index the authorities have established different geographic zones with different tax rates. The current duration of the scheme is from 1 July 2014 to 31 December 2020.

Guidelines for the localisation of government jobs and government service production

The Ministry of Local Government and Modernisation has the overall responsibility for follow up the state localisation policy. The goal of the guidelines for the localisation of government jobs and service production is to promote a more even regional distribution of government jobs; to ensure, as far as possible, that government service production provides citizens in all parts of the country with good access to government services; and to facilitate the building of professional environments outside the greater pressure areas. Overall, government jobs should contribute to the development of robust regional labour markets in all parts of the country.

The guidelines state that new government jobs as well as changes in the location of existing jobs should focus on areas beyond Oslo and the Capital region. Government agencies should be located in regional centres, helping to develop robust labour markets in these areas, while the concentration of government agencies to the largest city area of a county or region should be avoided.

5.2 Housing

The Government's vision for housing policy is adequate and about securing housing for all. The public sector

finances several different programmes aimed at promoting access to housing for disadvantaged groups. The focus is mainly on housing (housing available to municipal authorities for allocation, loans, housing grants), financial support for people and households (including housing allowance, grants, social assistance) and services aimed at enabling people to stay in their homes (such as training/advice on independent living, help to find accommodation and other practical matters) (Kvinge and Medby, 2011).

Housing assistance in rural areas

Most public programmes aimed at housing are allocated from the national budget and distributed to local authorities via the Norwegian State Housing Bank (NSHB), which is the central organ for the implementation of housing policy. From 2012 to 2014 the NSHB ran a project on housing assistance in rural areas. The objectives of the initiative were to 1) increase competence sharing on housing assistance in rural areas; and to 2) stimulate an increased supply of various types of housing while also finding strategies to increase mobility in the housing market. In order to achieve these objectives, the NSHB has used different incentives such as grants for housing, as well as knowledge sharing through meetings with the municipalities, where there has been a focus on topics that were relevant for the

development of a housing policy plan, the municipality's role, and cooperation with different actors.

The initiative has also administered subsidies reserved for the 12 priority municipalities that took part in the project. The grants were primarily allocated to the construction of new housing, but in special cases also to projects involving the rehabilitation or reconstruction of homes.

Evaluations show that the subsidies have led to a more differentiated housing market in the municipalities through the building of new houses, rental housing and apartments. This has contributed to greater mobility in the housing market (Rambøll, 2014).

Investment subsidy for care and nursing homes

The purpose of the investment subsidies is to encourage the municipalities to renew and increase the number of places offered in nursing and care homes for people in need of full-time health and social services. The subsidy can be used for instance to increase the capacity of nursing homes and assisted living facilities for both short-term and long-term residents, for the reconstruction and repair of old buildings and for the installation and design of various measures relating to welfare technology in existing buildings (e.g. elevators).

The subsidy is granted to local authorities through the Norwegian State Housing Bank (NSHB). The in-



Photo: Yadid Levy / Norden.org

vestment grants should provide 12 000 care places in the period from 2008 to 2015 (Norwegian State Housing Bank). For 2015, the grants cover, on average, 50 percent of the maximum approved construction costs.

The target groups are persons in need of full-time care regardless of age and diagnosis, including older people with long-term somatic diseases, individuals with developmental disabilities and others with disabilities, people with mental and social problems and people with addictions.

Simplified rules for objections to construction projects

From 2015 the Government will implement simplified planning rules in relation to objections to construction projects (Norwegian Ministry of Local Government and Modernisation, 2014a). The aim is to make it easier and less costly to build homes by simplifying the Planning and Building Act and its regulations. The simplified rules are meant to promote increased housing construction and contribute to keeping construction costs down. The goal is to halve the planning time in major projects especially in large transportation projects.

The proposed action points are as follows; better coordination of the planning process, both between different regulations and between municipalities and sector authorities, as well as reducing the number of objections and increasing local autonomy.

One of the first initiatives to be taken was to relocate responsibility for the Planning and Building Act to the Ministry of Local Government and Modernisation. Two other major reforms have been implemented; 1) simplification of the Regulation on Technical Requirements for Buildings Act (Byggeteknisk forskrift), which outlines rules on technical requirements for the building itself, as well as the documentation, land exploitation, installations, elevators etc.; and 2) simplification of the planning process, including reducing state authorities' access to filing objections. Parallel to the regulatory simplification, emphasis will be made on ICT development and digitization of the public and private construction processes.

5.3 Education

An important part of Norway's educational policy is focused on developing an action plan to meet the country's future skill needs and to improve the match between supply and demand for skills. Success in this endeavour will require a shared commitment across government ministries and social partners to deliver better skills outcomes for all of Norway's people

(OECD, 2014). While the focus of post-war educational policy in Norway was on access to education and training the past decade has seen a renewed focus on improving the quality of the education and training offered.

Adult learning and skills development

Adult learning and skills is an important component of Norway's educational policy and is centred on three main topics:

- Future skill developments to meet expected levels of demand particularly for nurses (but also for teachers). This is, in part, due to the increasing share of elderly population.

- Learning through employment to develop skills for the future. The OECD Skills Strategy (OECD, 2014) has resulted in the production of two reports with recommendations on how Norway can, in a more efficient and targeted manner, develop and use the population's skills in the years to come. Parallel to the OECD project, the Ministry of Education and Research initiated, in the fall of 2013, a three-year project to develop a system for the analysis, dialogue and dissemination of the future skills needs that will increase the correlation between education and work life. The aim is to ensure that individuals have a better basis upon which to make informed educational choices, and that the education offered to a greater degree matches the needs of society.

- Adult training. During 2015, the Government will develop a new and comprehensive policy for adults who have poor basic skills. This work will be presented in a White Paper to the Parliament, "Lifelong learning and social exclusion", and will focus on the mechanisms that lead to people remaining outside of employment.

Research and higher education

The quality of education is important for the society's restructuring and innovation capability (White paper no. 18, 2012–2013). The need to promote quality in higher education, together with the need for good and appropriate expertise should therefore be integrated more explicitly into the government's research policy.

The Government wants to continue to increase research funding in the coming years. In the proposed national budget for 2015 the total grant for research and development is 30 billion NOK¹¹, which corresponds to a real growth of 4.2 percent (NIFU 2014). This amounts to 0.93 percent of Gross Domestic Prod-

11 Approx. 3.47 billion EUR

uct (GDP). The basic funding to universities and colleges in 2015 is proposed to about 31 billion NOK¹², which constitutes a real growth of about 2 percent compared to 2014 (NIFU, 2014).

Merger of higher education institutions

One important reform that will help reach the goal of improving the quality of higher education is the proposed merger of higher education institutions (HEIs). In January 2014 the Government started to work on a white paper on the structure of higher education in Norway¹³. The background for this was that while there are currently a large number of smaller HEIs in Norway, there is a need to create more robust institutions that are better placed to provide high quality education.

The aim of the restructuring process is to ensure quality across all academic courses provided by universities and colleges. A likely outcome, based on the conclusions from process, will be to reduce the number of HEIs. This will not necessarily lead to a reduction in the number of campuses, but rather to a reduction in the number of HEIs through mergers.

Norway currently has a number of HEIs that are spread out geographically across the country. As a part of the preparation material for the restructuring process, the HEIs have been asked by the Government to consider their position in a landscape with fewer HEIs and with clearer expectations in terms of academic standards. The Ministry of Education and Research has asked the institutions to describe their desired strategic profile in 2020 and to provide an assessment of the main steps that will be necessary to achieve their desired strategic profile, in addition to considering how the institution can be strengthened by merging with other institutions, or how they can help promote quality at other institutions through merger.

5.4 Employment

The goal of employment policy in Norway is to enable all Norwegian citizens of working age who are able to participate in working life to be offered the opportunity to do so. A flexible labour market combined with an active labour market policy have ensured that unemployment is kept low and those otherwise at risk of economic exclusion are kept out of long-term unemployment. Employment is also the main source of financing for public welfare. The white paper on regional devel-

opment policy (White Paper no. 13, 2012–2013) emphasises that access to sufficient and relevant expertise in the labour markets is central to ensuring value creation and growth in all parts of the country.

Pension reform

In the coming decades population ageing will greatly affect public budgets through increased spending on old-age pensions among other things. A restructuring of the Norwegian pension system in line with the adopted pension reform, will create incentives for deferred retirement and have positive effects on labour supply in terms of the working population (Fredriksen et al., 2007).

From January 1, 2011 important aspects of the pending pension reform began to take effect. A completely flexible age of retirement was introduced from the age of 62 to 75. Individuals who choose to retire early will pay for it themselves by accepting lower annual benefits and vice-versa for individuals who choose to postpone retirement. With this new flexible and neutral system the take-up of old age benefits is no longer conditioned on a full or partial withdrawal from the labour market.

Labour migration

The strategy for labour migration (White Paper 18, 2007-2008) presents a series of measures that will provide a more user friendly, transparent and predictable labour migration policy. The labour migration strategy is meant as a supplement to the NAV reform (a massive reform of the country's labour-market and welfare administration) and the ongoing pension reform.

The main strategy for meeting the future demand for labour, preventing poverty and evolving the welfare society, is to better mobilise domestic labour resources. This will be rolled out through a number of measures designed to contribute to reducing unemployment, sickness leave, disability pension applications and early retirement, as well as involuntary part-time work and improving the inclusion of vulnerable groups in the labour market (White Paper no. 18, 2007-2008). In the strategy it is highlighted that the ageing of the population will result in an increased need for labour especially within the health and care services. The main Government strategy for meeting the need for labour is to ensure sufficient domestic education capacity within the health and care sector, through working life measures such as better management and more full-time jobs, in addition to further measures to improve qualifications.

Immigrant workers also bring with them important skills to the Norwegian economy and help meet labour demand issues in several sectors. Norway has for many

¹² Approx. 3.59 billion EUR

¹³ The White Paper will be published during the spring of 2015.

years been part of a joint Nordic labour market through the European Economic Area (EEA) Agreement and the European Free trade Agreement (EFTA). In this context, the Norwegian Labour and Welfare Administration (NAV) collaborates with other European labour market authorities and the European Commission through the EURES network (European Employment Services) with the aim of helping employers who need to recruit labour from abroad, or help individuals who want to apply for a job in other EEA countries.

5.5 Services

A key objective in rural and regional policy is to ensure that the entire population has access to quality services regardless of where they live. In the state budget for 2015 one of the main priorities is to contribute to strengthening the access to services in areas with few inhabitants and small markets (Norwegian Ministry of Local Government and Modernisation, 2014c).

Coordination Reform in the health and care services

The Norwegian health care system is well organised within its two main sectors; primary health and long-term care on the one hand, and hospitals and specialist services on the other. The health care system is semi-decentralised; responsibility for specialist care lies with the state (administered by four Regional Health Authorities), while the municipalities are responsible for primary care.

The 'coordination reform' emerged as an attempt to improve the coordination of hospital care with other health services in order to reduce waiting times (Ringard et al., 2013). In June 2011 'the Coordination Reform' (Report No. 47 2008–2009), was passed in the Parliament. The report highlights the consequences of demographic change for health care utilisation and proposes major structural reforms to reduce the demand for hospital services. The main tools in the reform are economic incentives, legal means and the restructuring of tasks and responsibilities between the specialist and primary health care sectors (Romøren et al., 2011).

Care Plan 2020

The Care plan 2015 (White paper no. 25, 2005–2006) presented a strategy to meet the challenges related to care services in the coming decades. It specifically focused on how to prepare and implement a gradual expansion of care services to plan and prepare for the rapid growth of this sector that is expected from 2020 onwards. This task will be undertaken through invest-

ments in education and in the recruitment of health care personnel, as well as in respect of buildings and technology – making investments that can both reduce demand growth through preventive measures and streamline operations through long-term development.

In the Care plan 2020 (White Paper no. 29, 2012–2013) the Government followed up on the care plan 2015 by launching a raft of new measures with a stronger focus on innovation in the public sector. This new 'innovation programme' will contribute to the development and introduction of welfare technologies, new methods, and new organisational solutions adapted to future needs. At the same time it will form the basis for state and municipal planning, with special measures to support and stimulate municipal efforts on research, innovation and development in the care field for the period up to 2020. This will be done through:

- Reinforcing the regional health and care centres such that they become important partners in research, development and innovation activities.
- Alignment of some of the instruments managed by innovation and research institutions at the national level in order to promote innovation in municipal health and care services.
- Strengthen efforts related to research, innovation and development both in the municipalities and through relevant programmes administered by the Norwegian Research Council.

The care plan is part of a comprehensive innovation effort in the municipal sector as a whole.

The Merkur programme

The Merkur programme provides investment and development support for smaller grocery stores in rural areas. The aim is to ensure that residents in rural areas have access to a nearby grocery store stocking good quality produce. The programme works by seeking to provide the opportunity for these businesses to take on additional services, such as Post Office facilities, that increase their profitability and provide members of the community with better services (Norwegian Ministry of Local Government and Modernisation, 2014c). Shop owners participating in the programme attend courses to enhance professional competence, increase the number of services available, and focus more on local community development. Merkur works with partners, including the Norwegian postal service (Norway Post) and the national lottery (Norsk Tipping), to facilitate additional services. The programme also works

with local governments to develop better cooperation between grocery stores and the local community (Norwegian Ministry of Local Government and Modernisation, 2014c).

The evaluation of the Merkur programme, undertaken by Møreforsking (2014), points out that small grocery stores are very important for rural communities and that their importance has increased significantly during the analysis period (2006-2012). As such, the state budget for 2015 notes that the Ministry will continue to place emphasis on measures to maintain and develop the provision of grocery stores in areas with small markets, and to support the development of services in these areas, through support schemes such as the Merkur programme.

5.6 Tackling demographic challenges – mitigation or adaptation?

Norway has adopted an explicit policy goal in respect of promoting growth and ensuring that good living conditions are available in all parts of the country. In effect, this formulation is designed to support the maintenance of a dispersed settlement pattern that is rooted in small-scale urban structure (Gløersen et al., 2013). For decades, Norwegian regional and rural policy has focused on areas with sparse and declining population, and/or low income (OECD 2010). The main policy objectives are to contribute to the development of workplaces where people live; to ensure an equal supply of welfare services across the country; and to promote villages and towns that are attractive for settlement (Gløersen et al., 2013).

The main threat to this decentralised settlement pattern is population centralisation with the Government actively promoting a proactive rural and regional policy in an attempt to mitigate the trend of population concentration by maintaining attractive rural areas. In terms of cross-cutting policies there is a focus on making disadvantaged areas attractive to both businesses and inhabitants by providing good economic conditions through e.g. regional development grants, improved framework conditions for geographically disadvantaged areas, regional differentiation of payroll tax and the decentralisation of government jobs.

The goal of promoting good living conditions across

the country is also reflected in housing policy, which has targeted measures related to access to housing as well as improving nursing and care homes across the country. Ensuring access to education across the country has also been a historic policy goal, although the proposed merger of higher educational institutions reflects a desire to make the institutions more effective while at the same time providing high quality education. With the merger, the HEIs will remain geographically dispersed, which means that the decentralised location of the institutions will remain the same. The Merkur programme which focuses on access to services through the maintenance of small grocery stores in rural areas is another initiative that demonstrates that rural and regional policy in Norway has a strong focus on building attractive communities.

Labour market policy in Norway is based around the general idea that with the increasing demographic shift, people need to work longer. The pension reform in particular is designed to allow people to stay in the labour market for longer and there is a focus here on the possibilities presented by an ageing population and how it can best contribute to society. Another way in which labour market policy is focused on adapting to demographic change is by promoting labour migration. This both involves mobilising domestic workers by reducing unemployment, sickness leave, disability pension claims and early retirement, involuntary part-time work, and improving the inclusion of vulnerable groups in the labour market; as well as through the recruitment of immigrant workers. Access to jobs in rural areas in the oil and fisheries sectors provides a magnet to a potential immigrant workforce preventing population decline in many rural communities.

In the health and care sector policy focuses on adapting to the demographic changes particularly affecting this sector; population ageing triggering an increased need for care. As such, the government have launched a series of measures preparing for the challenges ahead by strengthening the health- and care sectors through investment in more personnel and in research and development. This also impacts the educational policy debate, where there is now a significant focus on producing more personnel for the health and care sectors in the coming years.

6. Sweden

Young people and people in working age tend to move to larger cities. In combination with an ageing population this contributes significantly to the unbalanced age structure in many Swedish municipalities. From the 1990s onwards however the annual population increase in the major cities across Sweden has been relatively stable (Growth Analysis, 2015 forthcoming). The urbanisation process in Sweden is explained both by strong international immigration and by in-migration from the clear trend towards rural and peripheral areas to the cities. In 2012 60% of the population in Sweden lived in cities or towns with more than 10,000 inhabitants. The strongest population increase has occurred in the three largest cities Stockholm, Göteborg and Malmö but also in university cities such as Umeå, Uppsala, Linköping and Växjö (Prime Minister's Office 2013b).

In respect of the ageing population it is predicted that the number of persons aged over 65 years in Sweden will increase by 773 000 between 2013 and 2040 (LU bilaga, forthcoming 2015). In 2013, the share of the population aged over 65 in proportion to the group 15-64 years was over 40% in a majority of the municipalities in north Sweden but also in many municipalities in Dalarna, Värmland and Småland. In Stockholm, Göteborg and Malmö the share of the population aged over 65 is less than 30%. At the same time, the fastest increase during the period 2008-2013 in the share of persons aged over 65 occurred in Stockholm, Göteborg and Malmö (Growth Analysis, 2015 forthcoming).

In the early 2000s the dependency ratio for Sweden as a whole was under 0.70 but in 2011 it increased again reaching 0.71. Moreover, the dependency ratio is predicted to increase to 0.87 by 2050 (Prime Minister's Office 2013b, p.114). Many Swedish regions are thus expected to face increasing difficulties in recruiting the necessary labour force in the coming decades with small and peripheral municipalities probably experiencing the most significant shortages in labour force terms. It is predicted that until 2025, only in the counties of Uppsala, Stockholm and Västra Götland more young people will enter the labour-market than people who will leave the labour-market to retire. It is also expected that both domestic and international migration patterns will reinforce this development (Ministry of

Enterprise and Innovation, p.8). When it comes to gender balance, women tend to move to the larger cities at an earlier age than men and they tend also to move to a much lesser extent than men to rural municipalities. This creates a significant surplus of men in some municipalities (Ministry of Enterprise and Innovation, 2015b).

6.1 Cross-cutting policies

When it comes to demographic change in Sweden the current policy debate is focused on changes and adjustments to the pension system, the social security systems, the provision of welfare services and the economic position of the municipalities and on the better integration of immigrants into the labour-market. As regards regional development, the policy debate is focused on how to ensure regional growth and access to welfare services as well as enhancing access to commercial services.

The National strategy for regional competitiveness, entrepreneurship and employment 2007-2013 underlines that demographic development is of the highest importance in securing growth and development across Sweden. The strategy focuses both on sparsely populated and rural areas and dense city regions. Thematically, there was a strong focus on the labour market, especially on labour market inclusion and skills supply. There is also a thematic focus here on the enlargement of labour market regions by improving infrastructure and public transport.

In 2011, the Swedish centre-right government launched an investigation designed to address the emerging demographic challenges with a particular focus on the ageing population in Sweden. This investigation was one of four focus areas in the Committee for the future (Framtidskommissionen), led by the party leaders in the government and involving representatives of business and business organisations, labour unions and research institutions. In March 2013, a report on Future welfare and the ageing population was published with one of the overall conclusions being that the challenges related to an ageing population are already present and thus should not be seen as something belonging to the future. The report also

noted that the burden on the welfare system and the high dependency ratio will be particularly acute in the most sparsely populated and peripheral parts of Sweden (Prime Minister's Office, 2013a).

National strategies and initiatives

There is no national strategy specifically addressing demographic change as a whole in Sweden, although demographic issues are to some extent addressed in the overall national strategies for regional development. The National strategy for regional growth and attractiveness is the main steering document for regional policies and for the use of ERDF and ESF in the period 2014-2020. The impact of demographic development and change is identified as one of four main societal challenges. In the strategy, the following four priority areas are defined for regional growth policy up to 2020:

- Innovation and entrepreneurship
- Attractive places
- Competence provision
- International and cross-border cooperation ¹⁴

The second priority area, Attractive places, focuses on creating attractive living environments in all parts of Sweden in order to attract and retain people and businesses. In addition, there is also a focus on attractiveness for visitors. Attractiveness is created and maintained in close cooperation between different stakeholders. It is also underlined that the starting-point for developing an attractive environment is the specificities of a particular region or municipality. Measures must be taken within areas such as transport, ICT, climate, environment and energy, physical planning, competence provision, business development, housing, culture and public and private services (Ministry of Enterprise and Innovation, 2015b). The third priority, Competence provision, focuses on enhancing the labour supply-demand relation on the labour-market, to include all groups of people (especially migrants and persons with disabilities) and to tackle the challenges of an ageing population and the ongoing trend towards urbanisation.

In 2011, an initiative focusing on the attractiveness of regions, Attraktionskraft Sverige was launched by the centre-right government. The aim of the initiative was to create a number of tools focusing on how to make regions more attractive places for the people

who already live there, for those who want to move to the region, for investors and for visitors. The initiative included seminars and various other forms of dialogue which sought to gather together a broad range of stakeholders in order to discuss different aspects of attractiveness. There were no financial resources allocated to the initiative as the intention was for it to be a platform for discussion and the identification of new tools.

The Swedish Agency for Economic and Regional Growth (Tillväxtverket) is currently tasked with continuing this work with a number of programmes emerging as part of the work to attain this goal:

- Tourism industry programme,
- Sustainable destination development (the programme includes resources for the development of five tourist destinations in Sweden; Bohuslän, Kiruna, Stockholms skärgård, Vimmerby and Åre),
- Programme for commercial and public services, and
- Programme for creative and cultural business (Source: Tillväxtverket, www.tillvaxtverket.se)

Parliamentary Committee for a cohesive policy for rural areas in Sweden

In June 2015, the government decided to establish a Committee with representatives from all political parties in the national parliament to investigate a cohesive policy for rural areas in Sweden. In accordance with the assignment, the Committee will analyse current developments as well as future challenges and the opportunities for different types of rural areas. Ultimately, the committee is tasked with suggesting a policy to create better conditions for growth, housing, employment and entrepreneurship in rural areas (Ministry of Enterprise and Innovation, 2015a).

Demographic challenges addressed in the ERDF programmes for Sweden 2014-2020

In addition to eight regional ERDF programmes, a new national programme for the structural fund period 2014-2020 has been developed. The eight regional programmes have the same geographical coverage as in the previous programming period 2007-2013. The aim of the national programme is to bring added value to regional growth policy and the implementation of EU cohesion policy where this cannot be achieved within the framework of the regional ERDF programmes. In the national programme the change in demographic structure is only mentioned briefly as one of several overall challenges facing Sweden (Swedish Agency for Regional and Economic Growth, 2014). The specific needs of those regions suffering from 'demographic

¹⁴ The government in office since September 2014 (composed of Social Democrats and the Green party) have adjusted the strategy towards new policy objectives but the priority areas of the strategy will remain the same.

disadvantages', namely, Övre Norrland and Mellersta Norrland, are not addressed in the national programme as they are specifically addressed in the ERDF programmes covering these regions. All eight regional programmes address the impacts of demographic change as part of the wider challenges their regions face.

National Rural development programme

In the Rural Development Programme Sweden (RDP) 2014-2020, demographic development is considered under the general description of the situation in the SWOT analysis: "The population in Sweden is concentrated to the southern parts of the country and in the northern parts there are large areas that are very sparsely populated. Overall, the rural areas in Sweden have less than 9 inhabitants/km²" (Rural Development Programme Sweden 2014-2020, p.26). The depopulation of some rural areas has a negative impact on the provision of commercial services and leads also to a lack of public transport provision and to an underdeveloped physical and digital infrastructure. The effect of this is that difficulties emerge in terms of attracting new residents and companies to these communities. The fact that more women than men are leaving rural areas and the high average age of farmers are also addressed in the SWOT analysis. Today the majority of persons working in the primary sector are men and less women than men are also applying for funding from the RDP. As such, it is viewed as vital to enhance gender equality to give men and women the same chance to apply for funding.

The low unemployment in rural areas is identified under strengths as having a positive impact on economic development and on the financing of welfare services (Swedish Board of Agriculture, 2014, p.37). It is also noted that there is a potential here to develop labour-intensive branches which are not primarily dependent on proximity to densely populated areas but which can take advantage of lower labour costs. On the other hand, the lack of diversity in terms of opportunities in the labour-market and low wages makes it difficult for rural areas to attract new labour (Swedish Board of Agriculture, 2014, p.49).

The need to develop the attractiveness of rural areas is addressed in the RDP. Service provision needs to be developed but the focus should also be on access to culture and leisure activities as well as attractive living environments (Swedish Board of Agriculture, 2014, p.65). In addition, it is viewed as crucial to support entrepreneurship in rural areas in order to secure service provision. It is also noted that conditions vary between different rural areas and therefore there is al-

ways a need to develop local solutions. More concretely, financial support will be given to projects investing in small-scale infrastructure, maintaining the digital infrastructure, and those establishing and maintaining basic services including initiatives within culture and tourism (Swedish Board of Agriculture, 2014, p.225).

Municipal income equalisation system

It is constantly reiterated that the burden on the welfare system will be heavier in the coming years due to demographic change. As the municipalities are the main providers and/or buyers of welfare services this will be a challenge for the local level in particular. The Swedish income equalisation system between municipalities is designed – to some extent – to compensate for the increased burden on the municipalities, especially those that are experiencing depopulation. The question remains whether this will be enough for these municipalities to be able to maintain the quality of their welfare services. As such, it is often considered necessary to promote new solutions in terms of the provision of welfare services, for example through cooperation with other municipalities or the involvement of third sector actors.

6.2 Housing

Swedish housing policy has undergone a radical shift in the past twenty years. The Swedish housing market has now become one of the least regulated markets in the world (Smas, 2013). This has led to a segregated housing market and to a shortage of housing. According to the housing market survey made by the National Board of Housing, Building and Planning only 27 municipalities (with 3% of the country's total population) say that they have a surplus of apartments. The current policy debate is about ensuring access to affordable housing in the larger city-regions. In Sweden, the municipalities are responsible for planning and for the provision of housing. Discussions have already taken place over the possibility of making regional plans for the provision of housing but these have to be based on 'soft' cooperation between municipalities as there is a municipal planning monopoly in Sweden. Moreover, in Sweden, municipal housing companies have traditionally managed and owned the rental estates.

Despite the shortage of housing in a majority of Swedish municipalities there are still some rural and peripheral municipalities suffering from population decline that have a surplus in their housing stocks. The municipalities can however apply for national financial support to help restructure their housing stock to adjust to changing levels of demand. In 2013, the government

initiated an investigation to analyse the housing situation in weak housing markets, particularly in rural and peripheral municipalities (Ministry of Enterprise and Innovation, 2013). There are municipal housing companies in poor economic shape due to having a surplus of vacant apartments. At the same time, the need remains to continue to finance the necessary renovation and modernisation of the housing stock. The investigation was also tasked with looking at single-family-houses. The cost of building a new single-family-house is the same across the country but in rural and peripheral areas where the demand is low the market value of a house is sometimes far lower than the actual cost. As such, it is often difficult to get bank loans for building or renovation projects in such areas. In the long term, this will inevitably lead to housing shortages in rural and peripheral areas.

In the same year, the government initiated an investigation into the housing situation as it relates to the elderly population. According to the housing market survey 65% of the municipalities with a shortage of housing indicated that older people have difficulty in finding housing appropriate for their needs. Moreover, even in municipalities with a housing surplus it is still difficult for older people to find appropriate housing. The available apartments are either too small or too big, or they are too expensive or they simply do not

have the facilities that an older person, often with mobility issues, requires (Ministry of Enterprise and Innovation, 2014).

6.3 Education

Vocational education and training

The need for good access to high quality vocational education and training has been high on the Swedish policy agenda in recent years. Quality is about ensuring both good results and preventing drop-outs as well as about the ability of vocational programmes to raise interest among students and to prepare them for working life. The quality assurance system for vocational education and training in Sweden is decentralised but is also to a large extent steered by national regulations. The reform of Swedish upper secondary schooling in 2011 implied a more centralised system through more detailed regulation of the content of the school curriculum.

Merger of universities and university colleges

A policy debate on merger of institutions for higher education has recently emerged in order to ensure continued high quality both in education and research. Merger can also be seen as an alternative to the closure of smaller university colleges. The university college of



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Kalmar in South Sweden was abolished as such but continued to exist since it was merged with Växjö University and became the Linneaus University. Thus, there is still an institution for higher education in Kalmar. Another example is the university college of Gotland which merged with Uppsala University in 2013. The presence of a university or university college has shown to be of great importance for the development of a region. The educational level is generally high in regions and municipalities with a university or university college and this makes the region more attractive for small companies and other major employers.

6.4 Employment

Changes in the demographic structure in many regions outside the larger cities in Sweden, characterised by an ageing population and outmigration, lead to the retention of fewer people in the active age groups and difficulties for employers in finding the right competences. At the same time many young persons, persons with foreign background and persons with disabilities, continue to be excluded from the labour-market. This is a general problem for the country as a whole but is more pronounced in some regions.

In Sweden, there is no official retirement age, people have the right to retire at 61 (for some professions even earlier) and they have the right to work until 67. However, in reality most people choose to retire before 65. Discussions are currently taking place as to how people can be encouraged to work longer as a way of dealing with the shortage of labour. The better inclusion of excluded groups on the labour-market is another way of dealing with this shortage, an issue which is a focal point in the national ESF programme.

National ESF programme for investment for growth and employment 2014-2020

The overall objective of the European Social fund (ESF) is to contribute to a well-functioning labour-market and a longstanding increase in employment. The ESF should strengthen national labour-market policy and contribute to the realisations of the Europe 2020 goals. The ESF programme covers the same eight NUTS II-regions as the ERDF programmes.

Unemployment among men is higher than for women in many parts of Sweden because the traditionally male-dominated branches of the economy have been more directly affected by the economic crisis and by the ongoing processes of structural change. To remedy these issues there needs to be a greater focus on those groups currently excluded from the labour-market and, in addition, on a better matching of competences

and available jobs. Sweden is, like the majority of EU countries, facing long-term challenges because of ongoing demographic developments. It is stated in the ESF programme that the future shortage of labour and competences can be predicted in many regions in Sweden. Out-migration leads to a reduction in the number of people in working age and thus a higher dependency ratio.

The ESF programme explicitly addresses labour market challenges from a regional perspective. An analysis of regional differences should serve as a basis for establishing links between the ESF programmes and the ERDF programmes (Swedish ESF Council, p.117). The three overall challenges from a regional perspective are identified as follows:

- A weakening tax base due to out-migration and an ageing population which might lead to challenges for certain municipalities in providing basic services even though this is meant to be adjusted through the municipal income equalisation system,
- Lack of labour with the right competence in the public welfare sector
- Lack of labour with the right competence in the private sector, especially in certain branches (Swedish ESF Council, p. 121)

Övre Norrland, Mellersta Norrland and parts of Norra Mellansverige are all characterised by out-migration and an ageing population both of which have a significant impact on these regions. The regions themselves see that one opportunity to solve this is to attract more people with a foreign background and also to work for increased gender equality on the labour-market. Better commuting options is another opportunity that is highlighted here, even though this is not an option for peripheral municipalities where commuting - at least not daily commuting - to work in another municipality is simply not an option.

Increasing the number of start-ups and encouraging entrepreneurship are seen as crucial instruments to reduce the lack of jobs given the ongoing structural changes in the economy. Life-long learning is identified as one investment priority in the ESF programme. In order to face the challenge of an increased dependency ratio more initiatives need to be put in place to enable people to work longer (Swedish ESF Council, p.39) In addition, general competence levels need to be re-calibrated in relation to envisaged future changes on the labour-market.

The ESF programme should enhance the conditions to best enable the development of social innovation including enhancement of social entrepreneurship and

voluntary initiatives in order to improve the integration of excluded groups on the labour-market (Swedish ESF Council, p.54).

Regional platforms for competence provision

In 2008 the regional organisations under the National Agency for Employment (AMS) were abolished and the dialogue on labour-market issues and competence matching continued informally in some but far from all regions in Sweden. In the aftermath of the economic crisis in 2008-2009, it was acknowledged that large differences now existed between regions in their preparation to face the challenges posed in terms of competence provision. Moreover, it is clearly the case that different situations pertain in different parts of the country. In some regions, employers have, and will continue to have, significant problems in recruiting people with the right skills and competences. In late 2009, the government assigned the institutions responsible for regional development in each region with the task of developing a platform with the aim of mapping their region's needs in terms of skills and competences. The platform also aims to increase the level of cooperation between different stakeholders; education providers, institutions for higher education, employers and the local employment offices.

6.5 Services

Health care

Responsibility for specialist and hospital health care in Sweden is placed on the county council while primary care is the responsibility of the municipalities. The municipalities are also responsible for elderly care. The 21 county councils coordinate specialist health care in 6 health care districts. In each district there is a university hospital responsible for the education of medical doctors, nurses and other personnel. In 2007, a government investigation was published proposing a reform of the regional structure in Sweden. The aim was to merge the existing county councils into larger units in order that they had a population base large enough to ensure the financing and efficiency of specialist health care. The ambition was also to move the responsibility for regional development issues to the elected regional level. This reform proposal was however not realised at that time though the question of merging county councils to increase efficiency in health care remained on the agenda. In spring 2015, the question of merging county councils re-emerged on the political agenda as the government appointed two officials to suggest new geographical borders for Sweden's regions based on transport, labour-market, health care, education, cul-

ture and environmental issues (Ministry of Finance, 2015).

The general policy debate in Sweden about the provision of health care is currently focused on the issues of inequality in health care between different county councils, long waiting times, the difficulties associated with concentrating specialist health care facilities and need for more cost efficient health care (Swedish Agency for Health and Care Services Analysis, 2014). In 2013, Sweden incorporated the EU directive on patients' rights to cross-border health care. This has had a particular impact in the border areas between Sweden and Finland and between Sweden and Denmark.

Telemedicine is increasingly used as a way of providing health care at a distance both in sparsely populated parts of Sweden in particular and in the country as a whole more generally. The main purpose of the care at a distance initiative is to be able to provide health care closer to the patient and to make specialist health care competence available where it is needed (Läkartidningen, 2014). The national agency for innovation, Vinnova has financed a project to establish a national platform for care at a distance (telemedicine) which has been implemented by Karolinska University hospital in Stockholm and Västerbotten county council (Vinnova, 2015).

Commercial services in rural and peripheral areas

The national programme Local solutions for commercial services was initiated in 2009 and closed in 2014. The aim of the programme administrated by the Swedish Agency for Economic and Regional Growth was to support solutions for the provision of commercial services in rural and sparsely populated areas which are lacking these services. The programme has focused on three different types of projects:

- Solutions for the coordination of local commercial services such as petrol stations and grocery stores,
- Companies' need of services, and
- Solutions adapted to the needs of service provision in very sparsely populated areas but where the tourism sector is strong, typically mountainous areas and in the archipelago (Swedish Agency for Regional and Economic Growth, 2009).

Currently, the Swedish Agency for Economic and Regional Growth is responsible for the implementation of an initiative where a number of pilot municipalities have been selected. The aim of the initiative is to involve the municipalities in the provision of services and to strengthen the coordination between public, private and civil society actors.

By far the largest financial initiative targeting service provision lies within the Rural Development programme for Sweden. 750 million SEK is allocated to service provision. The priority consists of two parts: local service development and investment in services.

6.6 Tackling demographic challenges – mitigation or adaptation?

A general observation is that demographic change is to a large extent being addressed in Sweden in terms of an ageing population. This development will put pressure on the pension system; it will lead to less people in

working age and to an increasing demand for health and elderly care. There is also a tendency to focus on the possibilities of the ageing population; people not only live longer but they are also healthier and more active. This means that people might be able and willing to extend their working lives.

In regional policy, there is also a strong focus on creating communities across the country that are attractive both in terms of a good investment climate for companies and a healthy supply of work places and housing. The aim of this policy is to mitigate demographic change, to attract more citizens and companies to regions and municipalities that experience a declining population.

7. Autonomous areas

7.1 Åland

Åland has a population of approximately 29 000 inhabitants. In the last decade it has seen population growth of around 100-300 inhabitants per year primarily based on positive net migration (Government of Åland, 2014a). Åland is also facing an increase in its share of elderly population. In 2013, 19.9% of the population was over 65 years old. The situation is particularly challenging in the archipelago areas where the share of elderly population was already 29.6% in 2013. The dependency ratio in Åland remained relatively unchanged between 1970 and 2011, but is now expected to worsen markedly by 2040 because of population ageing (Government of Åland, 2014a).

As an autonomous area, Åland has the right to pass laws related to the internal affairs of the region and also has budgetary power. This section discusses the main approaches taken by the Government of Åland to addressing the demographic challenges it faces. Åland drafts its own policies for regional development and it has its own EU structural funds programmes and rural development programmes separate from those covering mainland Finland. Åland is also responsible for local government issues and social welfare and health care services which means that the Finnish reforms in those areas, discussed in chapter 3, are not applicable here.

Awareness of the need to respond adequately to these demographic challenges is high in Åland and the current government has prioritised demographic development in its work. As a way of responding to these expected challenges the government has initiated a major reform to reorganise public administration and governance in a variety of policy areas. The reform (called “samhällsservicereformen”) aims to combat these demographic changes in a cross-sectoral manner and will, among other things, seek to ensure that equal service levels are provided to all inhabitants as well as ensuring competence provision. It covers areas such as the reorganisation of the municipal social sector, co-ordination of the digitalization of Åland, drafting a long-term plan for sustainable development in Åland and reforming the system of state financing (from the

Åland government) to the municipalities. In spring 2015, the preparation process for these reforms was still ongoing (Fellman, 2015; Government of Åland, 2015a).

Specifically, from a demographic development perspective, the reforms of the social welfare system and of the financing model for the municipalities are among the most important parts of the public service reform programme. Responsibility for health care was transferred from the municipalities to the central level in the 1990s. As such, the current reform only concerns social welfare services. The aim is also to transfer the production of social welfare services (excluding child care and elderly care) from the municipalities to a municipal co-operation organisation (Fellman, 2015).

The reform of state financing to the municipalities is still under preparation and a proposal for a new system is to be presented in the autumn of 2015. As the principle of the system is to ensure that all municipalities are economically able to produce the services for which they are responsible, the system will also be adapted to the ongoing changes in respect of municipal tasks and responsibilities following the reform in social services (Government of Åland, 2015b; Fellman, 2015).

In Åland, the role of immigration in responding to demographic challenges has been widely recognised and Åland has been successful in integrating immigrants into its labour market. Since 2000, the share of the population born outside the Nordic countries has increased significantly such that, in 2013, 5.6% of the population was born outside the Nordic countries (ÅSUB, 2014). Although the success in integration terms is partly related to the availability of jobs, it is also important that Åland has actively included the integration approach into its policies and included increased immigration as a policy goal. Calculations have also been made on the volume of immigration required to maintain the current dependency ratio level (Fellman, 2015).

Åland is also in the process of drafting an education policy programme which adopts a long-term approach to the future challenges stemming, among other things, from demographic change. The official

statistics authority in Åland (ÅSUB) has produced a prognosis of education and labour market development and needs and this will function as a background to the policy programme (ÅSUB, 2013). According to the 2015 budget of Åland, education shall promote creativity and entrepreneurship as well as increased integration (Government of Åland, 2014b).

The challenges raised by demographic change, particularly in terms of an ageing population, are emphasised in the EU Structural Funds Programme for Åland (including both the European Regional Development Fund and the European Social Fund). The general goals of the programme are to develop knowledge and competence levels in the labour market and to increase employment, productivity and innovation capacity. The importance of competence development for the development of companies and for innovation more generally is also found to be important. The structural funds are also used to address the inclusion of youth in the labour market. Furthermore, the structural funds programmes also mirror the weight that policy-making in Åland puts on the integration of immigrants. As a way of increasing competence and knowledge levels in the labour market and to ensure the provision of labour force, the programme also addresses the question of education. One of the goals here is to develop a flexible education system that can better respond to the needs of the labour market (Government of Åland, 2014c).

In conclusion, it is obvious that Åland actively analyses and forecasts the issue of demographic development and is continually seeking ways to address it. In this light, the ongoing public service reform focuses on renewing the governance system in order to ensure the provision of services to all inhabitants.

Instead of going down the road of municipal merges, as in mainland Finland, a 'middle way' has been chosen here, where the tasks of the individual municipality are reduced in favour of municipal collaborations while the number of municipalities will, for the time being, remain the same (Fellman, 2015). Recognition of the importance of immigration, even from outside the Nordic countries, is also a specific characteristic of the policy response to demographic development in Åland.

7.2 Faroe Islands

The Faroe Islands exercise legislative power over a number of policy areas, including public finances. The responsibilities held by the Faroe Islands government expanded significantly with the Takeover Act introduced in 2005. The Faroe Islands have a total population of approximately 50,000 inhabitants. The Faroe Islands have experienced out-migration, especially of

young people and predominantly of young women. In the period 2000-2010 however the population increased on the basis of positive natural population growth (more births than deaths). Similar to Iceland, Greenland and parts of Norway (West Norden), the nativity rate in the Faroe Islands is 2.5 children per women, which is relatively high both in a Nordic and a European context. Life expectancy in the Faroe Islands increased by 6 years for men and 4.6 for women between 1990 and 2011 (Nyman Larsen & Fondahl, 2014, p.60f).

In order to address the issues surrounding demographic change and to increase the attractiveness of the Faroe Islands as a whole an Action programme was initiated in 2013 (Heildarættan, Fólkaflýting og fólkaþróun). The point of departure is the situation where young people move abroad to study and work but where most do not return to the Faroe Islands as they grow older. A task force was appointed to find the most relevant measures to address this problem.

The aim of the Action programme was to formulate concrete measures rather than to perform an additional analysis of the demographic situation. For each of the 37 measures, a timeframe and a responsible ministry and/or organisation were identified. The cost for each measure was also estimated. The measures were also grouped into different categories; 1) education and research, 2) living conditions in the Faroe Islands, 3) attachment to and image of the Faroe Islands, 4) obstacles to moving to the Faroe Islands, 5) foreigners and 6) overall societal conditions.

In the category 'education and research' examples of the measures proposed include the creation of a new study programme at the University of the Faroe Islands and the need to create an attractive environment for students, including the provision of better student housing. When it comes to research, one measure was to increase the involvement of industry and business in the financing of PhD projects. Measures identified under the category of living conditions touched upon housing, tax relief for families and single parents etc.

Measures identified to improve attachment to, and the image of, the Faroe Islands primarily concern improving relations between students and the labour-market in the Faroe Islands. Measures on removing obstacles for Faroese people to move back and for foreigners to establish in the Faroe Islands have also been suggested. The last category, 'overall societal conditions', covers more complex measures such as the need for a new industrial policy, a new equality policy, strengthening art and culture and analysing the communications to the Faroe Islands.

8. Conclusions and comparisons

Current and expected demographic change will affect all of the Nordic countries. These changes will be felt most strongly however in rural and peripheral areas because of the additional challenges posed for these areas by ongoing urbanisation. In terms of how these challenges are addressed in national policy-making similarities and differences exist between the various Nordic jurisdictions.

Differences in respect of national policy-making may, in some cases, be related to differences in the characteristics of these demographic changes (for example in Iceland, the challenge posed by an ageing population is rather less than in the other Nordic countries thanks to a high birth rate). Nevertheless, it is clear that the different approaches used cannot only be explained by the prevailing demographic changes experienced, but rather they illustrate the different ways in which these issues are handled at the national level and, as such, represent opportunities for mutual learning.

This chapter is divided into sections discussing how the Nordic countries mitigate and adapt to the main demographic changes in respect of:

- Population concentration to urban areas;
- Stagnation or reduction of the workforce;
- Increase in the share of population aged over 65;
- Gender imbalance in some rural and peripheral regions.

Population concentration to urban areas

The main approaches to population concentration to urban areas seem to be 1) adapting the governance system to the declining population in peripheral areas, in particular through municipal mergers, and 2) mitigation, by means of various attractiveness measures, to preserve or increase the population base in rural and peripheral areas. New approaches to service provision are central in the Nordic countries as a way of adapting to population decline in rural areas, and in other cases (or sometimes even simultaneously) mitigating the concentration of the population to urban areas by increasing the attractiveness of rural areas through im-

proved service provision.

Municipal merger is a common approach here and can be viewed as adaptation to the concentration of the population to urban areas. 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. In Finland, a municipal reform process has been ongoing for several years aiming, among other things, to create larger municipalities with bigger population bases thus improving their ability to handle efficiently their municipal service provision tasks. Sweden on the other hand initiated a process of municipal mergers already in the 1960s and 1970s.

Contrary to the adaptation approach of municipal mergers and reforms that have taken place in several Nordic countries, a local and regional attractiveness discourse is particularly strong in Norway and also in Sweden. Examples of such approaches in Sweden include measures to enhance attractiveness which has a central position in the national steering document for regional policies and the use of EU Structural and Investment Funds. In Finland, although the main focus is on adaptation to population concentration to urban areas and although a new centralisation tendency is clearly apparent in Finnish policy-making, measures do also exist in Finnish regional and rural development policies to promote the attractiveness of peripheral areas. In Iceland a number of recent initiatives have been made focusing on areas outside the capital, for example the Action on vulnerable communities.

It is clear however that none of the Nordic countries has as strong a tradition of mitigation policies, in respect of concentration of the population to urban areas, as in Norway. Norway has put in place a range of measures to promote a distributed population structure across the country and to mitigate population concentration tendencies. There is, for example, regional differentiation of payroll tax to stimulate employment in sparsely populated regions, a programme for the regional localisation of government jobs and specific

state support measures to increase the attractiveness of less advantageous regions such as those in Finnmark and Nord-Troms in Northern Norway. Denmark has implemented different initiatives to enhance growth, investment and services with a specific focus on villages and rural and peripheral areas, including changes in planning and housing regulations, which were identified as barriers to rural development. Iceland has a specific 'action programme' targeting particularly vulnerable communities facing severe demographic challenges. The actions here include, among other things, foresight workshops with a variety of actors to develop ideas for the future well-being of these communities.

Emerging policy discussions in the Nordic countries in spring 2015 point towards a situation where Finland and Sweden are starting to shift their policy focus more towards rural areas, whereas Norway appears to be increasing the attention it gives to the Oslo city-region.

A further issue with regards to the concentration of the population to urban areas is related to the provision of services. It is evident from this study that as the Nordic municipalities have a high level of autonomy and extensive tasks and responsibilities in service provision, the countries both aim to mitigate the concentration of the population to urban areas by increasing the attractiveness of peripheral areas by means of im-

proving access to services, and aim to adapt the service provision system to the decreasing population.

In terms of service provision, Finland, Norway and Sweden all seem to have developed both mitigation and adaptation measures. In Finland, there are measures to support service provision in peripheral areas, but the main approach has been the social welfare and health care reform where the aim has been to adapt the decentralised social welfare and health care system to the situation where population is increasingly centralised and where many small municipalities face difficulties in handling their social welfare and health care responsibilities.

In Norway, the government has strengthened the focus on innovation in the public sector. This new 'innovation programme' launched in the Care plan 2020 will contribute to the development and introduction of welfare technologies, new methods, and new organisational solutions that are adapted to the future needs of the health and care sectors with the aim of reducing growth in the demand for services and streamlining operations. Norway has also launched a programme providing investment and development support for small grocery stores in rural areas which have been found to be very important for rural communities.

In Sweden, various national initiatives designed to



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enhance access to 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. The national programme 'Local solutions for commercial services' ran from 2009 to 2014 with the aim of supporting the provision of commercial services in rural and sparsely populated areas. In the Swedish Rural Development programme 750 million SEK is allocated to initiatives for provision of commercial services.

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.

Supply and demand in respect of housing is also related to the concentration of the population to urban areas. There are some municipalities, mostly in rural and peripheral areas that have had a housing surplus for many years. At the same time, there are also a large number of municipalities in peripheral areas – for example in Sweden – that suffer from a severe lack of housing. When it comes to housing policies, the overview on housing policy in Norway shows that it is mostly about mitigating measures. In Norway, from 2012 to 2014 the NSHB ran a project on housing assistance in rural areas aiming to increase competence sharing on housing assistance in rural areas and stimulating an increased supply of various types of housing in order to increase mobility in the housing market. In Sweden, the government initiated an investigation in 2013 to analyse the housing situation in weak markets, predominantly in rural and peripheral areas, but no concrete measures have thus far been presented. In Denmark, on the other hand, the allocation of funds for the demolition and renovation of neglected houses in towns with fewer than 3000 inhabitants and in rural areas can be interpreted as adaptation to the concentration of the population to urban areas. Also in Iceland, reform of the housing system has been discussed as a way of responding to the challenge of surplus housing in areas with a declining population.

Finland and Sweden seem to be placing increasing emphasis in policy-making terms on adapting to population concentration to urban areas and other demographic changes by using all available resources even those outside the public sector. This means increasing cooperation levels between public, private and third sector actors as a way of ensuring service provision or access to education in peripheral areas.

Stagnation in, or the reduction of the labour force

When it comes to meeting the decline in the share of the working age 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 reform or by promoting the inclusion of vulnerable groups such as youth and immigrants in the labour market. In Finland, there is a youth guarantee providing the young unemployed with, for example, a job, work trial, internship or a study place within three months of becoming unemployed. Denmark, in turn, has established new placement centres in 50 vocational schools across the country. The centres aim to allow students to combine school training 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 focuses on the introduction of a completely flexible retirement age between the ages of 62 and 75. The overall aim here is that the retirement age will increase and that more people will work longer. In Finland, the process of pension reform is ongoing while the pensionable age is being increased gradually over time.

Improving the matching of labour demand and supply is central to national policies in all of the Nordic countries. Improving further education and skills development to meet labour market needs is thus highlighted in each. Sweden has a specific national instrument to promote competence provision in the regions in the form of regional competence platforms which map and predict labour demand and encourage cooperation between actors in the region to ensure matching. Large differences nevertheless 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 provides another way to mitigate the reduction of the labour force; in Åland in particular, policy makers have actively promoted immigration as a policy goal to meet this challenge and have, for example, made calculations on the volume of immigration required to maintain an acceptable dependency ratio.

Increase in the share of the elderly population

The increase in the share of elderly population not only impacts the size of the labour force as discussed in the previous sub-chapter, but also has an effect on the level of service demand. The share of elderly population is increasing particularly in peripheral areas where young people are migrating to urban areas. This inevitably creates a challenge in terms of the provision of services particularly in those areas where service demand is growing while tax incomes decrease.

In all of the Nordic countries there is some form of equalisation system redistributing resources between municipalities in order to ensure service provision.

Despite this, Finnish policy makers in particular still considered major reforms to be required in order to ensure service provision across the country.

Finland, Åland and Norway are adapting to the situation by 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. Åland also has an ongoing public service reform aiming, among other things, to improve the efficiency of the public sector by transferring the production of social welfare services from the municipalities to a cooperation organisation. In Norway, there are measures in place to adapt to the future needs of the health sector through, for example, a coordination reform in health care services in order to improve coordination in hospital care. Similarly, Iceland, has undertaken a reform in the health care sector where health care institutions outside the capital area were merged into larger units.

As a response to the increasing demand for health services in the years to come Denmark has implemented a national strategy for the digitalization of 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 responsi-



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ble for health care has been discussed for some decades but it was reinforced in 2007 when a merger of county councils into larger units was suggested. This reform still has not yet been realised but at the beginning of 2015 the new government declared its intention to finally go through with the reform.

In the Finnish Development Programme for Housing for Elderly People, policies enabling and promoting home living remain an important aim, not just in terms of the desires and preferences of the elderly themselves, but also as a fiscal necessity, as the share of elderly population increases.

In Sweden, an investigation was initiated in 2013 by the government to analyse the housing situation as it relates to the elderly population. No concrete measures have however, as yet, been presented.

Gender imbalance in rural and peripheral areas

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), though the issue has been recognised and measures aiming to mitigate the situation have been established in Finnish and Swedish Rural Development and Structural Funds Programmes. For example, 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, thereby mitigating the gender imbalance.

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.

9. Final remarks

Although none of the Nordic countries have established specific policies or programmes to address the demographic changes outlined above in a collected and integrated manner, it is clear that the consequences of the change are central for policy-making in each. All of the studied countries and autonomous areas have measures to both adapt to and mitigate demographic change, although, as discussed in the previous concluding chapter, differences remain between the countries in terms of their primary focus areas. The aim of this report has been to highlight these different ways of approaching demographic change, and thereby to inspire a further exchange of experience across Norden.

In writing this report, it became clear that, as demographic change puts severe pressure on the public

sector and economy, the public authorities are increasingly looking to develop new ways of working to ensure the maintenance of welfare provision. In this light, the concept of social innovation has in recent years emerged into the policy discourse, with increased focus now placed on the potential for cooperation between actors and on new methods and tools, for example, to support service provision in rural areas.

With this in mind, following the conclusions of this report, the Nordic Working Group on Demography and Welfare has decided to continue its work by focusing on the concept of social innovation and its potential in tackling the effects of demographic change in particular in rural and remote areas in the Nordic countries.

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