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The Impact of Demographic Change in Nordic Regions

Demographic change is one of the megatrends that will influence the Nordic countries in many ways during the coming decades and beyond. Issues of increasing urbanization, mobility, ageing populations and other changes in population structure are receiving increasing attention and will have a crucial impact on the future of the Nordic cities and regions. In this issue of Nordregio News, we focus on the impacts on the Nordic regions of these changes in the population structure. Two examples of coping with these challenges are described.

In recent years, the impacts of demographic changes on the Nordic countries have been highlighted by some notable phenomena. In Finland, the number of people aged over 65 passed the one million mark in 2012. In Denmark, females have tended to retire much earlier than males, a pattern that distinguishes Denmark from the other Nordic countries. During the period 2005-2008, the population of Iceland increased at a record rate from both a national and a European point of view. However, the financial crisis in the autumn of 2008 resulted in major changes in population development, because in 2009 Iceland for the first time since 1889 experienced a decrease in population. In 2010, the total population of Iceland increased again, mostly because

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of high birth rates. In Norway, males were in the majority at the national level in 2011 for the first time in recorded history. As for Sweden, over 80% of the population increase is occurring in the commuting catchment areas of Stockholm, Gothenburg and Malmö.

These changes in demographic pattern will have a large impact on a variety of policy areas, not least by combining with other factors to pose important challenges for the welfare system. To address challenges such as the rapidly ageing population, a number of policy initiatives have been undertaken on the European, Nordic and national levels. During its EU presidency in 2011, Hungary took the strategic initiative to raise awareness of demographic challenges and to highlight innovative strategies employed by national and local governments to address them. As one of the European initiatives on ageing populations and to enhance 'intergenerational' solidarity, 2012 was designated the *European Year for Active Ageing and Solidarity between Generations*. The initiative was intended to raise awareness of the contribution of older people to society and to encourage policymakers to create better opportunities for active ageing, thus ensuring that people can grow old in good health and continue to be active members of society.

During 2013, Sweden holds the presidency of the Nordic Council of Ministers. Sweden has declared demographic change and its impact on the Nordic welfare model as one of the main priorities of its presidency. This prioritization of demographic issues follows the initiatives of the Nordic Council of Ministers, adopted to focus on demographic development from a territorial perspective. An important part of this initiative was the *Nordic Demographic Handbook*, addressing demographic issues with a Nordic comparative perspective.

From this starting point, the first article in this issue, *A Nordic 'Agequake'? Population Ageing in Nordic Cities and Regions*, focuses on the most relevant of the probable challenges to the Nordic welfare model, namely the ageing of the population. The article, written by Johanna Roto and myself, provides a more specific indication of the current situation and predicted development concerning ageing in various parts of the Nordic countries. The likely impact of these trends on a number of policy areas, especially in municipalities and regions, is also discussed.

The second article *Age Power for the Regions! The Finnish Network's Initiative for Managing the Change in Age Structure* by Antti Korkka describes a national initiative in Finland, where many municipalities already face severe challenges related to the ageing of the population. Antti Korkka writes about the DEMO network, which was part of the Government's special programme for Regional Cohesion and Competitiveness. The aim of the DEMO network was to address specific problems in regions facing the challenge of an ageing and declining population.

In the last article **Demographic Challenges are Everybody's Concern**, Camilla Sahlander of the County Administration Board in Dalarna reflects upon a cross-border project on demographic challenges involving Dalarna in Sweden and Hedmark in Norway. She highlights that the municipalities in Dalarna and Hedmark are in many ways connected by their demographic challenges. Thus far, the project has been an important tool to strengthen the awareness of the demographic challenges within the organizations involved in the project, but also more broadly in the two regions.

We hope you enjoy reading this issue Nordregio News!



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A Nordic 'Agequake'? Population Ageing in Nordic Cities and Regions

By Lisa Hörnström and Johanna Roto

Ageing of the population is far from a new trend; it was already highlighted by analysts of demographic development in the 1940s. In the coming decades, the population of the Nordic countries will rapidly grow older, but the variations between regions and municipalities will be more noticeable than today. The current territorial pattern in the Nordic countries with 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 decades to come. This fact will have an impact on the welfare system and thus pose a challenge for service production, not only for the public sector, but also for the private sector and individuals.

Ageing of the population is not unique to the Nordic countries, as it is a clear trend in most European countries. *The 2012 report **Global Population Ageing: Peril or Promise?*** from the World Economic Forum estimated that by 2050 two billion people in the world will be over 60 years of age, that is, one in five compared with one in 10 today. A similar increase in the number of elderly people, that is, almost twice as many as today, is **projected for the population of the EU by 2060.**

A population growing older

A combination of low fertility rates and increasing life expectancy has resulted in the ageing of the European population. The Nordic countries have relatively high fertility rates compared with many other European countries such as Spain, Germany and Portugal. In 2011, fertility rates in the Nordic countries ranged from 1.75 children per woman in Denmark to 2.02 in Iceland (data by Eurostat). This may be compared with the European Union average of 1.57 and significantly lower birth rates in Spain and Germany (1.36) and in Hungary (1.23). Only Ireland scores higher than Iceland in Europe. However, the current fertility rates are not sufficient to compensate for a rapidly ageing population, especially in rural and peripheral areas with outmigration of younger people.

In the Nordic countries, the highest proportion of elderly people aged 65 years and over is found in Finland and Sweden. As in all the Nordic countries, the most notable differences between age groups are found between regions and municipalities. The general pattern is



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that the population in urban areas is younger than that in rural and peripheral areas, which is a pattern that is strengthened by depopulation in many rural areas. The proportion of elderly people is not only increasing in all Nordic regions but the process is continuing faster than ever before. The circumstances of the Nordic countries are different. While the generally older age structure has the largest potential impact on the welfare burden in rural areas of Finland and Sweden, the relative increase of the elderly population is actually greatest in Iceland, Greenland and in the commuting areas of Copenhagen and Helsinki, namely in the regions where the age structure is at present young.

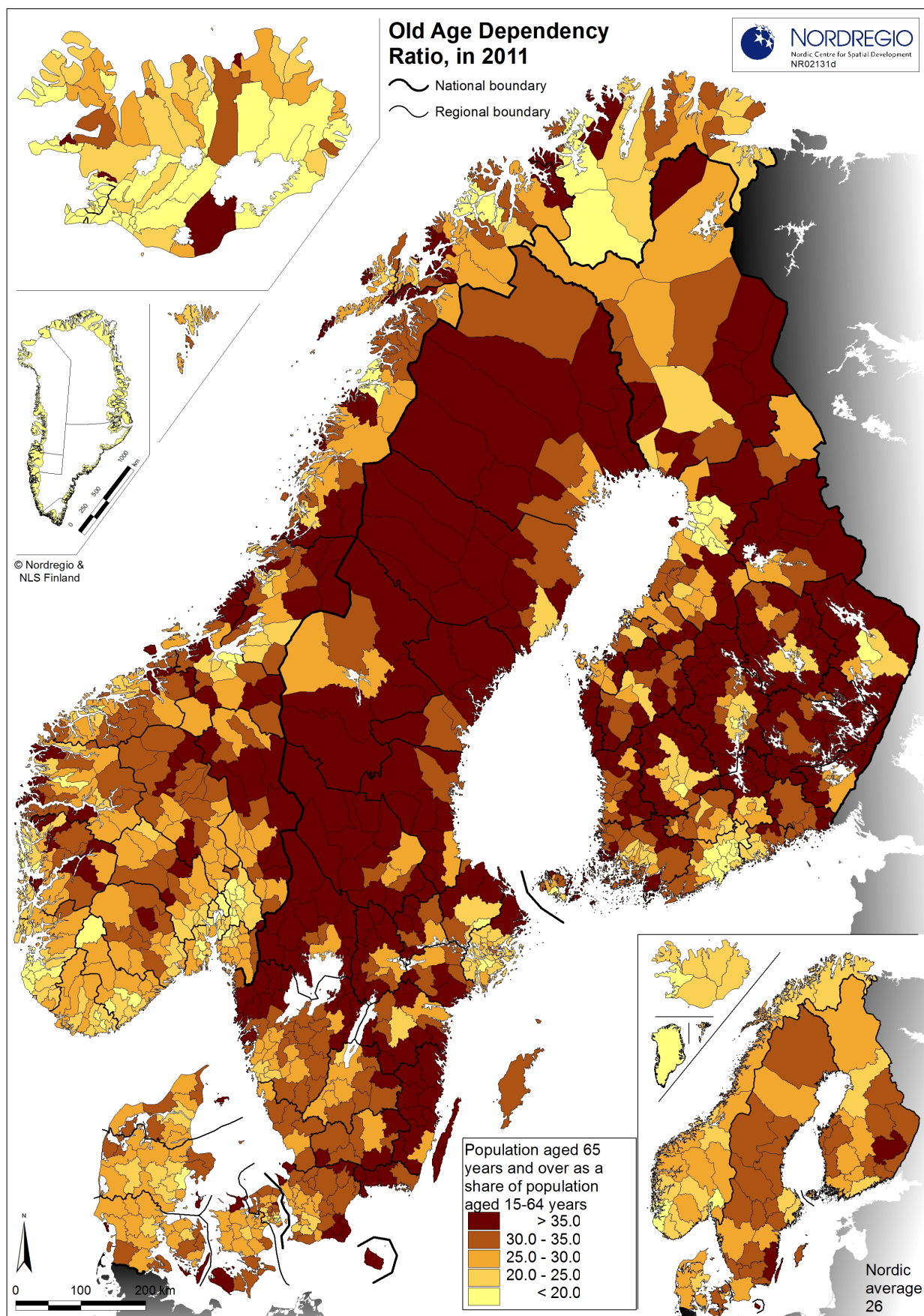
The demographic old age dependency ratio shows the number of people aged 65 years and over as a proportion of the number of people aged between 15 and 64 (Maps 1 & 2) and thus relates the proportion of elderly people to those seen as working aged people. The higher the proportion, the larger the dependency burden on people who are potentially in the labour market. In 2012, there were on average 26 people aged 65 and over for every 100 people aged 15 to 64, compared with 24 people 10 years ago.

The impact of an ageing population is not only relevant to the current generation of elderly people, but even more to the fast-growing group who will retire in future years. The 55–64 age group in the Nordic countries is larger than in the rest of Europe, which means that the number of people reaching retirement age will grow significantly in coming years. This situation is especially noticeable in northern and eastern Finland.

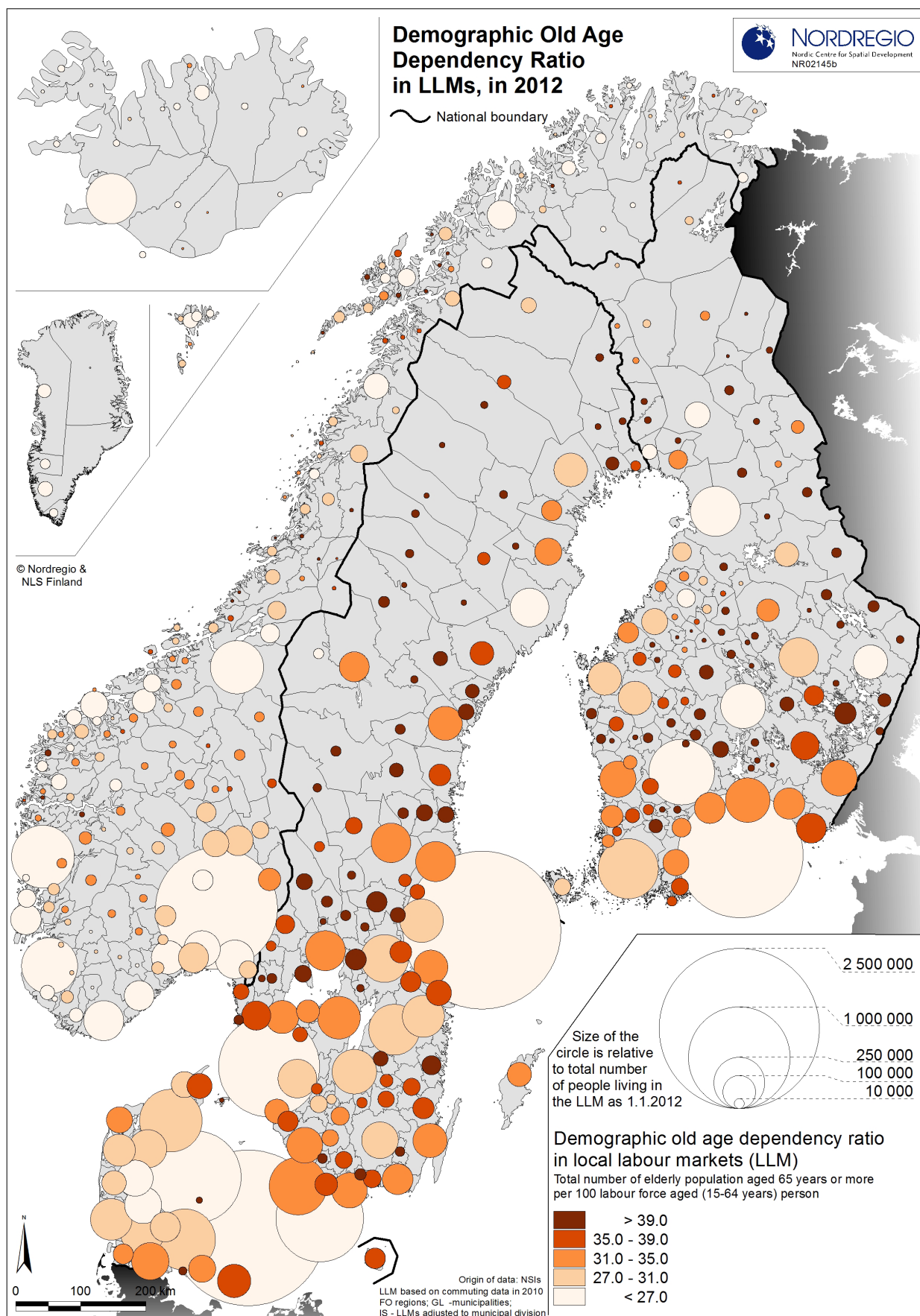
As an indication of the size of the future labour force, the group of people approaching retirement can be compared with those entering the labour market. In the Nordic countries, the generation entering the labour market is relatively large and together with increases in productivity could be large enough to compensate for the coming number of retirees, although in practice this is only possible in urban areas.

Impacts of demographic changes

Attitudes and policy debates on population ageing can be described as rather ambivalent. Increased life expectancy in combination with healthier and more active elderly years can be seen as a triumph of human development and the social capital of elderly people is without doubt a resource. At the same time, the increasing proportion of the elderly in the population is often seen as a peril or threat because of the costs associated with these dependent people; this process has become apparent in the vocabulary with terms such as ‘agequake’ and ‘grey tsunami’.



Map 1 Population aged 65 years or more as a share of population aged 15-64 years.



Map 2 Population aged 65 years or more as a share of population aged 15-64 years in local labour markets.

In fact, in current policy debates, the ageing of the population is especially seen as an economic challenge, with one of the main challenges being the financing and securing of good-quality welfare services. An ageing population is assumed to increase demand for health and elderly care and to increase the burden on the pension system. In regions and municipalities with few young people and negative population change, it also means that the tax base is diminishing and fewer people are available to work in fields such as health and elderly care. At the same time, the decreasing proportion of children affects the other end of welfare services, because it becomes challenging to offer good educational opportunities, especially in smaller municipalities.

Awareness of the impacts that these population changes have, and will continue to have, on various policy areas is relatively high among policymakers at all levels. Measures and initiatives are being taken to address the issues. It is, however, a topic of discussion whether these initiatives are always appropriate, and especially whether they will address the long-term effects of population ageing.

Seeing elderly people as a resource

National governments in the Nordic countries have addressed the challenge of the ageing population through measures such as reforms of the pension system. National governments are addressing the challenge of a smaller labour force because of an ageing population by taking initiatives to improve working conditions, enhance labour immigration and increase various forms of co-operation in organizing welfare services.

The need to extend both ends of labour careers is often underlined in national policy debates. Raising the retirement age is being debated in all the Nordic countries. At present, the statutory retirement age in the Nordic Countries varies between 61 and 68, depending on the country and profession. The average exit age varies between 61.7 years in Finland and 64.8 years in Iceland (2010 data by Eurostat). Therefore the issue not only concerns increasing the statutory retirement age to keep people in the labour market longer, but also to attract people to stay in the labour market until that age. This is an issue where factors such as improved working conditions and flexible work-time could motivate people to work longer in their later years.

Making the labour markets more inclusive for all

It is also often highlighted that in the future young people will have to enter the labour market earlier than they do today to secure the financing and efficiency of the welfare system. This issue is often connected to the efficiency of the education system, but also increasingly to the challenge of high youth unemployment, especially in Sweden and to some extent in Finland. Another way to address the potential dearth of workers is better inclusion of marginal groups, especially long-term unemployed and people outside the labour force.

Immigration to the Nordic Countries is partly compensating for the national decreases in labour-force-aged population, but the immigrant work-force could be better utilized. During the period 2006–2010, a vast majority of Nordic municipalities had positive international migration. A more inclusive approach and initiatives to facilitate the entry of migrants to the labour market and integration into society are very often highlighted as solutions for the lack of labour and needed skills, especially in smaller rural and peripheral municipalities.

Remember that you are not alone

Inter-municipal co-operation is already a common strategy in the Nordic countries to provide good-quality welfare services of various types, despite higher demand and a diminishing local tax base. Municipalities co-operate to reduce costs and increase efficiency in welfare service provision. In addition, technical and e-health solutions, particularly in rural and peripheral areas, are frequently used and are under continuous development.

In border regions, especially in peripheral and rural areas, co-operation across national borders can compensate for the lack of critical mass of people to maintain good-quality welfare services. In the border area of northern Finland and northern Sweden, there are examples of cross-border co-operation in primary health care to facilitate the provision of health care for citizens on the other side of the border. To facilitate commuting to work across a national border, several initiatives have been undertaken in the Nordic countries, such as service points providing information on job-seeking, labour rights and social services. For example, the Öresund direkt service point in Malmö in southern Sweden started providing information for commuters in the Öresund area over 10 years ago. Since then, similar service points have opened to provide information for people commuting between Sweden and Norway and between Finland and Sweden. There are also other examples of cross-border co-operation and exchange of experience of labour force provision, housing, schooling and tourism.

Finally, it can be added that there is a need for policy initiatives at all levels of government to address the challenges and opportunities of an ageing population more efficiently. In addition, initiatives within various policy areas must be better co-ordinated and integrated. This article has also emphasized that because of large territorial differences in terms of demographic development, and ageing in particular, initiatives and measures need to be adjusted to different territorial contexts.●

Age Power for the Regions! The Finnish Network's Initiative for Managing the Change in Age Structure

By Antti Korkka

Greater attention has been paid to the change in age structure in Europe and Finland since the end of the 1990s. At the moment, the change is unprecedented: while in 2011 18 % of the Finnish population were over 65 years of age, it is estimated that in 2030 as much as 26 % of the population will be over 65. It is predicted that the rate of growth will slow down after the 2030s. The DEMO network, which operated in Finland from 2010 to 2012, has worked with age structure and the associated change in attitudes.

In Finland it is important to comprehensively discuss the change in age structure, its impacts on society and preparation for the changes. Political discussion has been dominated by the effects of the phenomenon on the state and municipal economies and on organising of welfare services. Ageing must also be seen as an asset and as an opportunity. The labour input and knowledge capital of older workers will be required substantially more over the coming years. At the same time, the incentives for youth employment and entrepreneurship must be promoted in municipalities.

The network's initiative focusing on the heart of the change

The change in age structure requires comprehensive approach in regional development. In the beginning of 2010 the DEMO theme network, supported by the Ministry of Employment and the Economy, was launched to consider the impacts of the changes in age structure and to provide solutions to the management of these at a regional and municipal level. The DEMO network name symbolises the three central features of the network: it refers to the demographic change that is affecting the regions; secondly, it highlights democratic regional development; thirdly, the name symbolises the network as a promoter of new working practices and methods and as a pioneer.

The network operated for three years and during that period the collaboration involved 17 different areas and regions, which between them comprised 97 municipalities (almost 30 % of all of Finland's municipalities). The Upper Tampere Region representing regional operators was responsible for coordination of the network, in collaboration with the Ministry of Employment and the Economy, Regional Department. The Council of Tampere Region operated as the funding authority. The network steering group consisted of 20 different expert



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members from research and expert organisations, ministries, provincial federations and network regions.

The changes in the age structure affect regions and municipalities of all sizes. Even though, relatively speaking, there are often fewer aged people in large cities than in small municipalities, there are far more of them in absolute terms, which represents a challenge for the organisation of services also in larger cities. Also, the opportunities for the municipalities to address the change in age structure vary depending on the regional structure: the challenges in organising services in municipalities covering great distances are different from those faced in densely populated areas, and the opportunities to utilise private services vary by municipality.

The participating regions have particularly sought synergistic benefits from the network through joint projects, sharing of information and learning new management, design and development skills. The regions have been interested in the production of demographic models and service structures at the municipal level. Of the individual themes relating to age-structure change, the new welfare and service solutions, service technologies and new solutions for the employment of young and elderly people and for the promotion of entrepreneurship have been of interest. There has been international collaboration on different themes with Nordregio and the OECD, in particular.

The operational strength of the network has been to detect regional differences. At the same time, regions and municipalities of different sizes have been able to learn from each other's regional development practices and methods of organising services. Within the network, region-led research and development projects have been launched, and regional and municipal developers have been trained in the management of age-structure changes. The pilot projects launched in the municipalities include e.g. the development of technological solutions for home living for the aged, research and planning for community living and cohousing, development of entrepreneurship and career paths for seniors and young people, and analysis of population and service structures based on geographic information. The network has operated as a starter motor for service development in the municipalities.



Photo: Magnus Fröderberg/norden.org

A good example and benefit of the network's work is given, for instance, by the community-living and cohousing development project **Monikko**, in which both training and new research was used to support planning in the municipalities. Existing and new information were brought together from community residential and business environments and from various community models and forms of implementation. As a result of the work, a residential site plan based on independent initiative and community spirit was drawn up for six municipalities in the DEMO network. The plans promoted social durability in ageing municipalities and provided new tools for the planning of housing and services linked to these.

Attitude and regional perspective towards development

It is also important to stress that the change in age structure affects all age classes. Changes will happen in the age groups of the elderly, the working aged, and for young people and children. Differences between regions will be emphasized because of migration. This is a challenge especially for rural areas: when young people and working aged move away from the area, the effects of the age-structure change are multiplied. The changes will happen over a long time period, thus requiring long-term regional development work.

Besides anticipating and implementing policy measures relating to age-structure change, the regions must promote a change in attitude towards ageing. During the network's initiative, almost 50 innovative project methods and working practices across four themes were collated for the use of the regions and municipalities:

- **Housing:** examples of development of housing for the aged and of promotion of welfare and sense of community among different age groups.

- **Work:** solutions for encouraging entrepreneurship and business activity, developing entrepreneurship and employment of young people, and promoting occupational welfare among older workers and helping people endure longer in the workplace.

- **Services:** working practices for the development of new forms of service; for building partnerships in the municipal, private and third sectors, and for development of customer orientation.

- **Participation and strategic work:** new models for regional attractiveness and for the development of planning, for promoting engagement of the aged, and for implementation of age strategies.

Good practices that have developed in the network areas have been brought together in the joint publication *Age power for the regions!* (see www.demoverkosto.fi).

Experiences from the project

The network operated well as a training network for service development and new information for the municipalities. During the operating period of just under three years, functional pilot projects were quickly put into practice, and the regions and municipalities were made very aware of the importance and challenges of the change in age structure. The national network initiative has also been underpinned by the Ministry of Employment and the Economy's innovative regional development programme KOKO, whose support to the network collaboration was particularly important.

Training events targeted directly at the regions and pilot projects that directly promoted the creation or development of regional services were regarded most successful by the municipalities. On the other hand, the wide operational scope and short duration of the network created a challenge for regional operations. A lot had to be achieved in a very short period of time. Wide-ranging network operations of this type demand significantly more time for implementation. The creation and promotion of municipal and regional collaboration would require at least 5-6 years of long-term network work.

Common national objectives

During the network initiative, it has been found that the age-structure change is a diverse and perhaps abstract issue that poses a challenge in the municipalities and regions. The change affects the organisation of social and health services, public finances, housing and employment and working life. Thus, there is a need to manage the administrative areas at a high level instead of using sector-specific solutions. Collaboration that is closer to the various areas of business is required at the municipal, regional and ministerial levels.

As a basis for future network initiatives, closer collaboration between the ministries must be sought above all, along with clearer national responsibility for implementation. Until now, policy and programme measures have been implemented with too little collaboration between the different ministries. The expert members that have been involved in the network initiative stress that the network should be a joint project between several ministries, which also has joint funding, rather than involving one individual ministry. In this case, the different ministries would all commit to the joint objectives, and the network would receive support from diverse working practices for the implementation of regional pilot schemes.●

Demographic Challenges are Everybody's Concern

By Camilla Sahlander

A demographic challenge common to the two counties of Hedmark in Norway and Dalarna in Sweden is that the populations of many of their small municipalities are decreasing. How will these small administrations maintain welfare provision, schools and health care? Almost half of all the municipalities in Hedmark – and even more in Dalarna – have stagnating population growth.

What difference does a border make?

The two counties of Hedmark and Dalarna are divided by a border. The regions are very similar in many ways and if it were not for the mountain range that stretches along the border, co-operation would probably be natural. However, the mountain area both divides and connects the two regions. The connection is tourism and the ski area that spans the border between Hedmark and Dalarna.

There are approximately 194,000 inhabitants in Hedmark and 276,000 in Dalarna. Both counties have small municipalities and are quite close to larger urban regions with good commuting facilities (Oslo and Stockholm). On the other hand, settlements are spread widely and there are many small villages far from the nearest regional centre, which creates commuting problems within both regions. A common challenge for Hedmark and Dalarna is the age structure of the population. There is a large ageing population and low fertility rates. There are also difficulties in recruiting personnel in both the public and private sectors, especially for executive positions.

The regional organizations, that is, the County Administration Boards and the Regional Development Councils in Hedmark and Dalarna, have co-operated on various projects during the past six years and have become well acquainted. In May 2012, the Nordic Council of Ministers appointed a new Border Committee for Hedmark–Dalarna co-operation.

The demographic cross-border project

In December 2012, the Border Committee started the Demographic challenges in Hedmark and Dalarna project within the Nordic Council of Ministers **Nordic Demographic Programme**, administrated by Nordregio. The project will be completed and a report tabled during the autumn of 2013. The target groups are the municipalities of Hedmark and Dalarna, which have extremely challenging demographic development problems characterized by outmigration, especially of young people, and an ageing population.



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The main activity of the project is to organize seminars, so-called demographic laboratories, with both lectures and workshops. Other activities include gathering information and statistics on the themes of competence provision, labour recruitment and living facilities, in order to analyse consequences for participating municipalities. Finally, examples of good practice from other municipalities and projects that have succeeded in reversing a negative trend will be compiled in a demographic guide-book.

At the time of writing, half of the time allocated to the project has passed. During the winter, my colleague in the project and I travelled from the south of Dalarna to the north of Hedmark to meet with the administrators of the participating municipalities (of whom there are 11). We introduced and established the project and its purpose. This was vital in the initial stage, and it has of course taken some time. In the middle of April, we had a preliminary seminar, where the representatives of the municipalities and the reference group met. New ideas on extending cross-border cooperation were presented and many new contacts were established. It was clear that discussing demographic issues is very important, especially that of managing the challenges that will follow.

One aim of the project is to create awareness and knowledge of the current demographic situation and its consequences for the municipalities. This will prepare them to improve planning and to implement their strategies regarding the themes of the project (competence, recruitment, living facilities and attractiveness). A cross-border network of people working on the same issues and facing the same challenges in the two countries is also an aim of the project.

Lessons learnt

When we wrote the project plan and drew up Demographic challenges in Hedmark and Dalarna, we did not foresee that establishing the project with the participating municipalities would be as time-consuming as it turned out to be.

Before starting the project, we were in contact with people in several of the municipalities and described the project to the administrators. They seemed interested, so when we were granted project funding, we contacted them again. Now they definitely needed more information. We knew that we had to meet the administrators of the municipalities to explain the project and the demands that their participation would entail, but most importantly, we had to listen to them. They had much valuable information for us to incorporate in the process.

Other than having to readjust the time frame for the project, we have not encountered any obstacles so far. However, we foresee a challenge in planning and organizing the upcoming seminars – our demographic laboratories – in an intelligent manner. It is important that the seminar themes are relevant to the municipalities' work with demographic issues. Each seminar should provide the participants with new

information, experiences and hopefully new contacts. Because many similar seminars are held in our region, we must plan our demographic seminars so they fit in with the others.

Another challenge of the project is the time aspect for the municipalities. We know they have little spare time, so integrating this project into their processes is important and requires us to remain in contact with them throughout the project.

Because of this project, the demographic issues and challenges are more frequently discussed by the Border Committee. Demographic challenges concern all municipalities and regional organizations in different ways. For example, for the County Administration Board where I work, demographic development is strongly connected to rural development. Therefore, the demographic cross-border project connects working areas in the organizations represented on the Border Committee.

In this cross-border project, one lesson has been the importance of establishing the project firmly with the participants. Many of the municipalities are unaccustomed to working with partners on the other side of the border, so resistance and doubts regarding cross-border activities can occur. It is often necessary to work harder to convince people and organizations of the benefit of participation. However, after our last meeting with the participants in the project, I was surprised by their positive attitude towards working with cross-border partners.

Connected by challenges

Working with demographic challenges is not an easy task for anybody. This concerns not only Hedmark and Dalarna, but also the Nordic countries and large parts of Europe. Can a small project between two cross-border counties make a difference? I do not know, but I know that I have learnt much more about the municipalities' work with these issues. New contacts have been made and co-operation established, and I am sure that by discussing the demographic challenges and placing them on the agenda, something will happen!●



Lake Siljan in Dalarna (but it could almost be Lake Mjösa in Hedmark)