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Adaptation to socio-economic changes in two rural municipalities in Iceland

Contributed to the conference
“Climate Change in Northern Territories” in
Akureyri, Iceland 22nd to 23rd August 2013

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Vestnorden Foresight 2030

Background

- Most rural communities in the three West-Nordic countries (Faroe Islands, Greenland and Iceland), as well as in the north European periphery have experienced outmigration for a long time.
- People, especially young people, move to the southern parts, and in other cases, to other countries.
- Difficult to recapture these people. Opportunities for educated people are too often limited.
- The economic life is characterized by production of agriculture or fisheries. The labor markets lack diversity.
 - Recruiting one educated person often means you have to find a job for the husband or the spouse, which often is a **great problem**.
 - Then, it doesn't even matter if the rural communities are able to provide good public services or not.



Vestnorden Foresight 2030

Bygdenes fremtidsvisjoner

- A transnational project meant to give people in rural communities in Greenland, the Faroe Islands and Iceland the opportunity to express their hopes, visions and development strategies for the coming decades.
- Financed by the Nordic Council of Ministers and led by the consult company, *Spatial Foresight*.
- Main idea: to collect representatives from civil society, businesses, industries, local authorities and organizations for one-day workshops.
- Go through and discuss opportunities and challenges for the communities, as well as the ambitions that existed for keeping long-term sustainability.



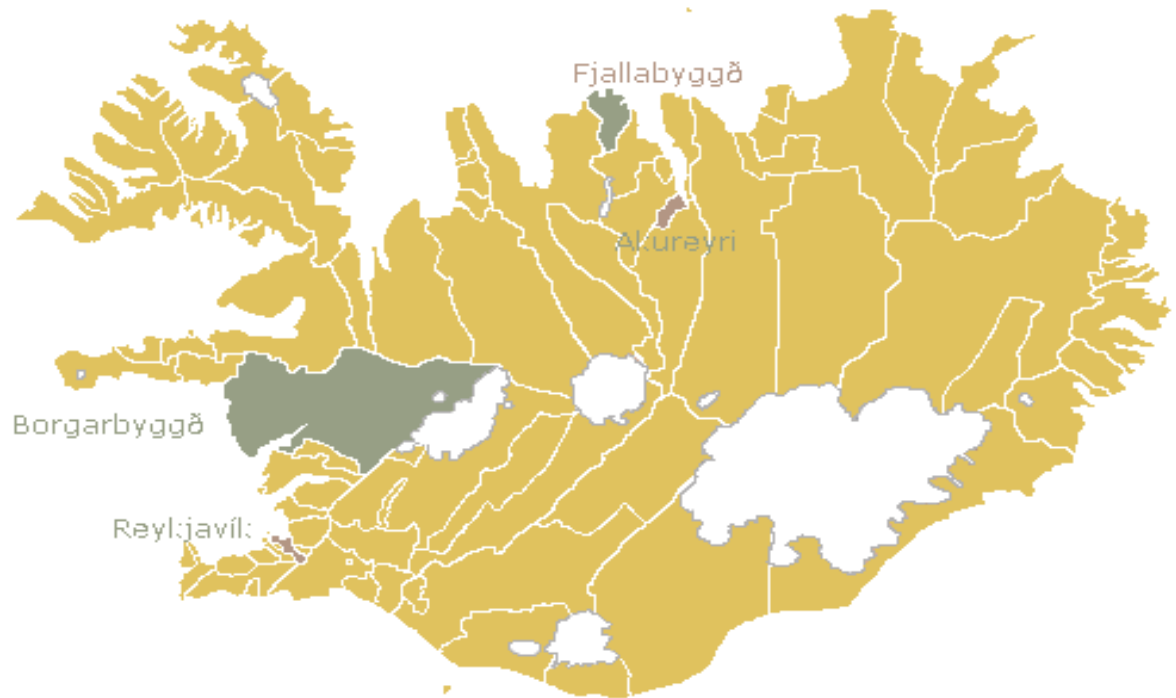
Themes for discussion

- 9 themes were discussed in the local workshops in respective case country:
 - 1. Local initiatives**
 - 2. The attractive local communities**
 - 3. Social capital**
 - 4. Capacity to change and adapt**
 5. The way forward
 6. Openness for initiatives
 7. Physical infrastructure
 8. Access to services
 9. Networks and alliances



National cases

- Communities/municipalities as cases:
 - Faroes
 - Sandøy
 - Suðurøy
 - Greenland
 - Aasiaat
 - Akunnaaq
 - Ikerasak
 - Iceland
 - Borgarbyggð
 - Fjallabyggð





Method

- The municipalities of ***Fjallabyggð*** and ***Borgarbyggð***
- Focus group meetings in autumn 2010
- Invited: Politicians, bureaucrats, businesses, institutions, organizations, ordinary citizens (12 – 14 in each municip.)
- Material from a recent citizen meetings which had already been held
- Material from other selected local research



Case background

- The economic collapse in October 2008 plays an important role due to its impact on the economic and social life in the whole country.
 - Esp. in Borgarbyggð
- The opening of Héðinsfjörður road tunnel in Fjallabyggð 2010 has also had its impact both in threats and opportunities.
- In this presentation we will present how these different rural communities in Iceland adapted to new conditions in economic life, labour markets, migration, devaluation of the Icelandic Króna and other factors.



The situation before 2008

- Essential differences between the 2 cases
 - Economic structure
 - Economic situation before and after
 - Distance from Capital Reykjavík
- Borgarbyggð (4000 inh.)
 - Agricultural region with a big servicecenter in Borgarnes, a town of 2000.
 - Upswing and increase in population after year 2000
 - Two University colleges: in Business and in Agriculture
 - The closeness to the Capital was a great advantage for the economic life
 - Commuting
 - Outmigrants from Reykjavik area



The situation before 2008

- Fjallabyggð (2000 inh.)
 - Two successful fishing towns on each side of a high mountain
 - But....
 - economic status quo in both towns
 - And...
 - Loss of people.
 - 21% reduction 1998-2008
 - A road tunnel between the towns was being drilled (opened 2010)



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And after the crash...

What the people said in 2010



Borgarbyggð

Social capital

- After the crash: In-migration stopped ... unemployment ... higher debts
- Trust was damaged due to the bankruptcy of the important local bank
- “Trust-triggers”: local organizations, clubs and mutual leisure activities, schools.
- The deep crisis had increased peoples togetherness
 - A new tourism-cluster within the “Growth agreement” was a success,
- But entrepreneurs should cooperate more
 - Envy between them is quite common
- Support to them was improving
- The amalgamation of the municipalities in Borgarfjörður and what followed i.e. schools



- **What can be done?**
 - Create common identity for the region
 - Use the schools to build that up
 - Citizens of one community, not several former ones
 - One public meeting, not three.
 - Strengthening of local democracy
 - Citizen meetings in various issues
 - e-government, e-democracy, e-services
 - Moral support to entrepreneurs
 - Not only financial

Borgarbyggð

Adaptation - Resilience

- **Situation before 2008**

- Went through a great transformation in economy, labor market and social life in a short time!
- Traditional Agriculture- and rural service community which had a rapid growth in few years in construction industry, tourism, and in the educational sector

- **How to adapt after the crash?**

- Public support to the local industries to help them adapt to the changed situation
 - Their problems are temporary and they need temporary help to survive through the crisis!
- The two Universities (Bifröst and Hvanneyri) have to survive the cut down of state grants by focusing on profitable disciplines
- More cooperation among the schools in all stages in the region
- Motivate flexibility by transportation improvements and education
- More flexible business models.

Fjallabyggð

Social capital

- The crash not as great as in Borgarbyggð
- But the tunnel was there – with opportunities and threats!
- Trust between people exists to a certain degree
 - No, there is some lack of solidarity and common identity
 - Presence of some local cliques (old families and politics)
 - ...but when it comes to it – it exists, in times of crisis!
 - ...”But when things get normal we get back to the conflict level”
- Leisure activities of high standard
- The road tunnel that brings the towns close will change this with time
 - Common social life



Fjallabyggð

Social capital

- **What to do in Fjallabyggð?**
 - More venues
 - Local café
 - The new municipality should initiate more common social projects/happenings
 - Sports, culture etc.
 - Focus on what unites the towns
 - Not what divides them



Fjallabyggð

Adaptation - Resilience

- **Status before**

- Various examples on ability to adapt
 - Fire-truck production
 - Primex - *global leader in the manufacture and supply of Chitosan and Chitin derivatives.* www.primex.is
 - Fish processing machines production
 - From fisheries to hotel business!
- Managing changes is better with more newcomers and more younger people
- Changes by far greatest in tourism – especially in Siglufjörður
- Support for adaptation is not supported by the municipality, the regional economic development centre or the bank!
- The local high-school teaches entrepreneurship



Fjallabyggð

Adaptation - Resilience

- **What to do?**

- More support and encouragement to young people willing to start new businesses
- The public sphere shall not only give entrepreneurs financial support – also moral
- But more access to financing is important
- Utilize the enlarged labor market which the tunnel has opened
 - Expansion by up to 1000%
- Initiate further education
- Open for people with University degrees – and keep them!
- New tunnel brings opportunities in fisheries and other export industries

Since 2010...

- **Fjallabyggð**

- Dramatic increase in tourism
 - Siglufjörður has become one of the most popular tourist towns in the country
 - Investments in tourism enormous
- Impact of the Gymnasium high above expectations
- The tunnel has opened up access to Akureyri area – for Siglufjörður

- **Borgarbyggð**

- The schools have been recovering - slowly
- Tourism has been growing fast
- Construction industries have been recovering
- Some public service (PS) is threatened
- Other PS is more stable because of decentralization



Some theoretical context

- ***Theories on regional resilience***
 - Metro regions less dependent on policy initiatives – growth is market-led. Entre-preneurial social capital important
 - In many types of rural regions growth is not as market led as in more urban regions
 - **I&E policy seems to have an impact. Social capital as well!**
 - **Fjallabyggð and Borgarbyggð should focus on I&E and build up social capital!**



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- Thanks!