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Why some municipalities succeed and others do not?

Explaining demographic changes in Finnish municipalities

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In most cases, demographic changes are seen as the cause of problems, especially ageing. In reality, the causalities are more complex and multifaceted (Rauhut 2012). Demographic changes within and between national borders are constant. However, when changes become persistent, they then give rise to more concern because they put pressure on local and regional planning efforts. Demographic changes are usually the result of long-term processes, which makes it important to look at the past when determining the future need for welfare services (Humer et al. 2015).

In Finland, inter-regional migration has reshaped regional population distribution, and it has contributed to regional development inequalities (Heikkilä & Pikkarainen 2009). Over the last ten years, discussions surrounding the population forecasts of local governments have highlighted shortcomings (Helin & Möttönen 2012). In Sweden, most municipalities experiencing population decline plan their activities under the assumption that the population will increase (Syssner 2014). As demographic changes are crucial for local government finances, the planning failure leaves them in an even worse situation.

This article discusses local governments in Finland, both those that have lost population and those that have gained population

in the 2000s, and it identifies the strategic approaches deployed to meet a new population reality. The long timeframe enables us to analyze the characteristics of the change and ask, what are typical features affecting whether local governments lose or gain population? We look at ten municipalities with the most decline and ten municipalities with the greatest increase in population during the period 2000–2019. Besides describing their characteristics, we explore the question more generally. The number of municipalities in Finland is currently 310, and we have selected ten municipalities at both ends.

The development, 2000–2019

When comparing the ten municipalities experiencing the highest population increase with those experiencing the highest rates of decline, several patterns emerge (Tables 1 and 2). The growing municipalities appear larger than the declining ones, and they include the second largest city in Finland, Espoo. In absolute numbers, small municipalities, such as Hyrynsalmi or Rääkkylä, have lost more than 1,000 inhabitants, and in the other group, Liminka, has grown by nearly 80 per cent, or Espoo, which added 76 000 persons in the period of 2000–2019. Further, the share of

Table 1. The ten municipalities with the largest decline in the number of inhabitants, 2000–2019 (source: Tilastokeskus).

Municipality	Population 2000	Population 2019	Demographic change 2000–2019 (%)	Under 15, 2000 (%)	Under 15, 2019 (%)	65 and over, 2000 (%)	65 and over, 2019 (%)
Hyrnsalmi	3,486	2,271	-34.9	17.1	8.9	20.5	40.7
Puolanka	3,846	2,528	-34.3	15.6	9.1	20.2	38.4
Salla	5,142	3,400	-33.9	14.6	9.0	21.9	38.7
Rääkkylä	3,175	2,126	-33.0	15.6	8.7	23.5	40.4
Rautavaara	2,377	1,602	-32.6	14.8	10.1	22.1	39.3
Kivijärvi	1,610	1,096	-31.9	19.8	13.0	20.7	39.1
Ilomantsi	7,129	4,857	-31.9	15.4	9.2	23.0	39.5
Sottunga	129	88	-31.8	17.1	2.3	28.7	43.2
Savukoski	1,472	1,005	-31.7	16.0	10.0	18.0	33.4
Vaala	4,041	2,792	-30.9	18.8	12.0	21.5	36.5

Table 2. The ten municipalities with the largest growth in the number of inhabitants, 2000–2019 (source: Tilastokeskus).

Municipality	Population 2000	Population 2019	Demographic change 2000–2019 (%)	Under 15, 2000 (%)	Under 15, 2019 (%)	65 and over, 2000 (%)	65 and over, 2019 (%)
Liminka	5,735	10,191	77.7	29.7	32.2	10.7	10.1
Jomala	3,328	5,233	57.2	21.4	21.9	12.3	15.0
Pirkkala	12,736	19,623	54.1	22.2	20.3	10.0	17.9
Kempele	12,551	18,355	46.2	26.9	23.9	6.3	15.5
Lempäälä	16,331	23,523	44.0	22.1	22.8	12.2	16.6
Espoo	213,271	289,731	35.9	21.1	18.9	8.5	14.8
Kirkkonummi	29,694	39,586	33.3	22.9	19.6	7.7	16.5
Tyrnävä	5,035	6,637	31.8	28.7	31.3	12.4	13.4
Luoto	4,111	5,417	31.8	32.4	29.2	11.0	14.5
Ylöjärvi	25,299	33,254	31.4	21.7	21.0	11.8	18.0

young persons has diminished in all ten of the declining municipalities, while the share of elderly has grown. In the growing municipalities, the share of young persons is more constant, and was high already in 2000, while in nine out of the ten municipalities the share of elderly persons has grown but remained at a relatively low level even in 2019.

In addition, we looked at several other variables characterising the municipalities. When we look at the degree of urbanisation

(*taajama-aste*), we can see a clear difference; all the declining municipalities are rural, with an indicator below 56.2, while the growing ones are all urban, with an average indicator of 86.5 (Tilastokeskus). Furthermore, the municipalities with a significant population increase are more urban than those municipalities that have declined the most.

An important contextual aspect can also be identified. The ten growing and ten declining municipalities are located in different

regions, but some group-related differences can be identified. However, it is not the location itself, but the local context, that is most important. Five of the ten increasing municipalities are located close to a larger city, a regional capital, and benefit from such a location.

The growing municipalities are located in Uusimaa (2), Pirkanmaa (3), North Ostrobothnia (3), Ostrobothnia (1) and Åland, which are all growing regions in Finland (in addition to five other regions). The ten declining municipalities are located in Kainuu (2), Lapland (2), North Karelia (2), North Savo (1), Central Finland (1), North Ostrobothnia (1) and Åland (1). Kainuu (-15.7), South Savo (-14.6), South-East Finland (-8.7) and Lapland (-7.6) have lost the most inhabitants in the period from 2000 to 2019, while five other regions have diminishing numbers as well. In other words, a favouring or adverse factor for a municipality seems to be the region in which it is located.

Linking economic performance and demographic change

Places with many new start-up companies and new job opportunities generate a good quality of life, and they will continue to attract new residents, new business and new investment. This leads to higher real estate prices, an increased demand for services by new inhabitants and increasing pressure on the local infrastructure. A location becomes unattractive when the major industry makes significant cuts in staffing or ceases to function. Economic recession and unemployment are repelling factors for a location, as is an insufficient or old-fashioned infrastructure, local budget deficits or local tax increases (Kotler et al. 1999). These problems are common in many rural and peripheral areas of the EU today, (ESPON 2013). Economically expansive and dynamic regions and cities attract labour (ESPON 2010), and investments lead to economic growth (ESPON 2012a, 2012b). The emphasis on the local involves the idea that all territorial assets and services of general interest are shaped by place and act as place-shaping factors themselves (ESPON 2011).

Maintaining basic welfare services and infrastructure are an important means to counteract regional marginalisation processes (Kotler et al. 1999). Researchers need to explore in more depth the endogenous local elements

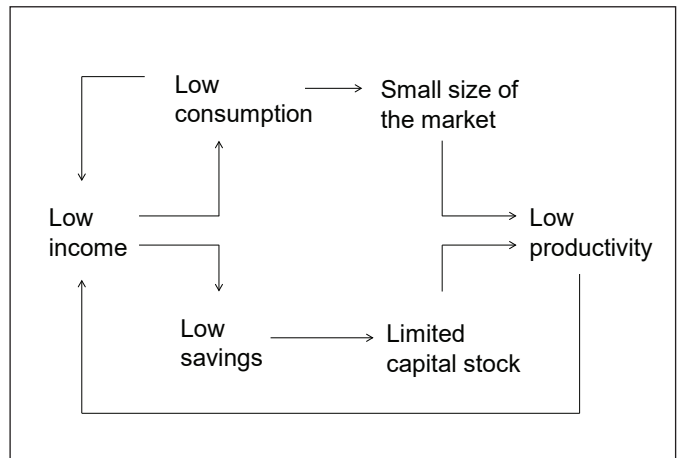


Figure 1. The vicious circle of regional underdevelopment. Modified after Capello (2016: 104).

that generate local competitiveness. Innovation and entrepreneurship are important. If a local or regional economy does not have sufficient savings to invest in capital or infrastructure, or if its market is too small, then its productivity level will remain low and will fuel a vicious circle of underdevelopment. Limited market expansion, low savings and consumption, reduced stock of capital in the economy and low income are all influential factors, and both supply and demand will be too low to trigger any expansion of the local or regional economy (Capello 2016). The result is again a vicious circle of underdevelopment (Figure 1).

The municipalities with increasing populations experience the opposite results of those depicted in Figure 1, which makes such municipalities attractive for new residents, investments and business.

Discussion

The demographic changes mirror a fundamental societal change, wherein the population is increasingly clustered in the south and southeast of Finland. The centripetal forces in economic activities have caused companies to cluster in places that are economically favourable (Krugman 1991). Service provision, both private and public, mirror the demand side of the economy. In an analogy drawn from the Gospel of Matthew (13:12), “whoever has will be given more,” meaning in a contemporary context that economically expansive municipalities will continue to attract new residents, investments, and business. Other municipalities may be stuck in the vicious circle of underdevelopment.

Traditional regional policy, which aimed to close the gaps between prosperous and lagging regions, has been replaced by the EU's Cohesion Policy, which focuses on competition. For the problematic peripheral regions within the EU, such a policy is out of context, out of tune and out of time (Rauhut & Humer 2020). The migration movements within a country mirror its economic problems. Seen from a contractarian approach, the responsibility to deal with such problems, if the regional actors cannot, defaults back to the central government (Rauhut 2018). Small, peripheral municipalities compete quite differently from large cities, since the former usually have a more restricted set of policies and lack the chance to match national capitals and world cities (Heikkilä & Pikkarainen 2009).

On the basis of the *Local Government Act* (2015), municipalities must devise a municipal strategy in which they identify local challenges and opportunities and the means to tackle them. Good strategies are comprehensive, long term, participatory and based on anticipation and data collection (Kettunen et al. 2020). Demographic changes are not unavoidable. Short-run tactics do exist, and long-run strategic choices can be made. However, this requires a capacity for long-term planning that economically weak municipalities lack, and hence, they remain trapped in the vicious circle of underdevelopment.

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