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NPA Covid-19 Response Project: *Economic impacts, resilience factors and redefining peripherality*



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Citizen Summary

Economic impacts, resilience factors and redefining peripherality

Introduction

The NPA Covid-19 Response Project on Economic Impacts drew up 10 reports covering economic impacts on different regions, sectors and businesses in Atlantic Canada, in Greenland, Iceland and the Faroe Islands, in the Highlands and Islands of Scotland, in Sweden, and on Finnish regional health care services. Two of the reports were cross-cutting, analysing comparative macro-economic data and extensive Nordic research on regional development, emerging sectors and demographics. One of the reports focused on how human rights perspectives can be introduced, assessing adherence to human rights during the pandemic and seeking to reconcile human rights and the economy.

Insights from this large body of evidence, based on extensive desk research, 80 interviews and almost 30 casestudies, were gathered into a main report that challenges many traditional perspectives on the NPA regions and on peripherality in general. The diverse body of research is significant for two reasons:

1. the weight of evidence it delivers across many different regions, from Finland to Canada, and across many different sectors: economics, enterprise, tourism and regional development, health care, culture and human rights;
2. that it is rooted in lived experience in peripheral areas during the pandemic, drawing on many different voices within peripheral communities and conducted, evaluated and written by researchers, many of whom themselves live in peripheral regions.

All reinforce the need for a fresh perspective which redefines peripherality and properly assesses the assets, strengths and opportunities, and the many resilience factors in times of crises that peripheral regions have. “While rural places are not without their challenges, they are also unquestionably places of opportunity.” (OECD)

Economic Impacts

The severe economic disruption caused by Covid-19 in peripheral regions across the NPA area is undeniable. As three examples from different reports:

1. Of 1,200 business owners and the self-employed surveyed in the Highland region of Scotland, 54% were closed (45% by law and 9% voluntarily), 35% were struggling to stay afloat, and a further 33% had experienced a fall in sales and profits. Almost half were concerned about their ability to survive for the next few months.
2. In Canada, exports accounted for 29% of the Atlantic region’s GDP, supporting over 118,000 jobs. These exports were down 50% in May 2020 from 12 months earlier.
3. In the Nordic countries, from April to June 2020, international tourism to Norway dropped by 95%, by 66% in Sweden and by 61% in Finland.

The macro-economic data confirms significant declines in economic activity across the NPA area, although different regions and different sectors have fared very differently. The impact of sudden falls in output and jobs, consumption

and investment should not be underestimated, dramatically increasing the already significant impact of the pandemic on citizens and households.

There is also clear evidence of sharply increased inequality, with severe impacts, for example, on low-paid workers, young people, women, indigenous communities and gig economy workers.

The economic impacts of Covid-19 also extend to the delivery of health care services, as seen in small hospital districts in East Finland. Covid-19 has increased health care costs and exacerbated shortages of health personnel. It will also have significant future impacts with lower tax revenues for municipalities leading to further retrenchment in services and further expansion of digital and tele-health services. Above all, there has been an accumulating 'care debt' with the postponement of non-urgent health services and a reduction in services for some of the most vulnerable groups.

Resilience

Nevertheless a clear pattern emerges from our research and its diverse sources: on balance peripheral areas have performed relatively well during Covid-19, even though there have been significant variations across different regions and sectors, and across different waves of the pandemic over time.

The researchers point to the low infection and death rates in many, although not all, peripheral regions, especially in the first wave of Covid-19. Peripheral areas have benefitted from their geography, including their remote and sparsely populated regions; and islands, with their well defined geographic boundaries, have been able to limit and control access. Peripheral areas have often developed and/or used testing and tracing systems very quickly and effectively and shut down community transmission swiftly, based on cohesive communities, responsive governance and the ability to create local solutions. There has been rapid community engagement and participation, volunteering and generosity expressed in practical action to help the most vulnerable and at risk in particular.

Micro- and small businesses form the bedrock of local economies in many peripheral regions, and research suggests that small businesses tend to be more flexible and are able to change faster during a crisis. Over half of 62 entrepreneurs surveyed in Greenland, Iceland and the Faroe Islands consider Covid-19 to have brought about new business opportunities, and similar findings came from surveys in Greenland and Atlantic Canada. Community and social enterprises have also been critical in sustaining communities and local economies across peripheral regions.

Economic responses in peripheral regions to Covid-19 have been characterised most by flexibility and adaptation, innovation and creativity, and not least collaboration. The micro- and small business sector acts as a seedbed for new businesses, developments and innovations, including in a wide range of innovative sectors, from the bio-economy in Nordic countries to the exponential growth in traditional music in Scotland. The NPA Covid-19 project focused on technology solutions surveyed 35 technology companies across the NPA that engaged in significant innovation, adaptation or market expansion in response to health needs during Covid-19. Of these, three-quarters are small and micro-enterprises, and almost half have ten or fewer employees. The many examples of innovation across the ten reports paint the picture of an enterprise sector that not only showcases ingenuity, but one that is motivated by a sense of community and generosity.

The pivot to local markets is one of the most prevalent adaptations that micro- and small businesses have made in response to Covid-19, not least within the tourism sector. They have often benefitted from strong support from local costumers. North Iceland had a good tourist season in 2020 based entirely on domestic tourists. Covid-19 has also sharply accelerated the growth of web-based activity, with many enterprises moving on-line to reach new markets.

The flexibility and adaption of micro- and small enterprises, and pluralistic lifestyles where individuals engage in multiple economic activities (including employment, self-employment and volunteering) have proved critical resilience factors for many local economies in peripheral regions. And their ability to innovate new products and

services, including in response to a crisis, highlights significant dynamism and resilience. Evidence for this comes from across many regions and sectors, from the primary and manufacturing sectors, as well as diverse services (from tourism to traditional music and culture). The evidence also ranges from traditional activities like forestry to emerging sectors like the bio-economy. The bioscience sector in Prince Edward Island has added 200 jobs since the pandemic began and seven of its companies are planning expansions.

These characteristics are also common among community and social enterprises within peripheral communities, as well as among small public service providers, as the research on the smallest hospital district in Finland demonstrates. In this case public services engaged effectively with collaborative local networks involving public, private and community actors. And Nordic regions have been at the forefront of tele and digital health service provision, which has accelerated during Covid-19 and provided significant protection and resilience during the pandemic.

In summary, there is significant evidence from across the NPA area, reflected in all 10 reports, that many peripheral regions and communities have proved significantly resilient and relatively effective in responding to Covid-19.

This does not mean every peripheral area has done relatively well. Some regions, like northern Norway which was so highly dependent on tourism, have been particularly hard hit economically. The picture in Sweden is more mixed because of its very different response nationally to Covid-19. And the pandemic's second and third waves have often impacted peripheral areas more than the first, although the rates are often still low in comparison to other regions, and some of the peripheral areas have responded well with fast roll-outs of vaccination programmes.

The focus of our research was on identifying the many factors, often existing before the pandemic, that have helped peripheral and rural communities to respond well: such as low population density; cohesive, engaged and personalised communities; effective local governance, strong networking and partnerships across sectors; flexible and innovative businesses and social enterprises rooted in their communities and local economies. All of these 'preconditions' have helped peripheral communities in their response to Covid-19, in terms of both health and economic outcomes.

Redefining peripherality

In the past, most common features of peripheral regions across the NPA area have been regarded as challenges: demographic imbalances and outmigration, dispersed populations, remoteness and low accessibility, fragile local economies distant from major markets and with low diversity, and being the most vulnerable to the impacts of the climate emergency. Peripheral regions, defined primarily by their vulnerability and disadvantage, need to 'catch up' with more developed and central regions.

But the picture that emerges from the extensive evidence of this project demonstrates peripheral communities have often shown remarkable resilience, drawing on many local assets and strengths, demonstrating significant flexibility and adaptation, generating much innovation and creativity (from technology to sustainable living) and many localised solutions. Often borne out of necessity, peripheral communities have tapped into their long history, rooted in generations of experience, of having to respond and adapt to changes and crises. They have turned what are often regarded as the challenges of peripherality to their advantage during Covid-19 as resilience factors, including:

- the relative importance of **public sector employment** in many peripheral regions and their ability to access **government support**;
- their **geography**, including remote dispersed populations where self-reliance is the norm, and **access to nature**, e.g., opportunities for outdoor experiences and growing local food.

- **close knit small communities**, e.g., supporting vulnerable individuals and suppressing local outbreaks quickly, supporting local businesses, as well strong vision and energy for imagining positive futures beyond the pandemic
- **diversified economies** created by the dense and diverse web of micro- and small enterprises and their **flexibility and adaptation**
- **Innovation and digitalisation**, including digital technologies to deliver health services
- **collaborative services**, including across sectors.

And even on the critical **demographic challenges**, there is growing evidence from many different peripheral regions or localities that long-term demographic decline may be turning, trends which Covid-19 has accelerated. We cite examples from the Nordic countries, Scotland, Iceland, the Faroe Islands and Atlantic Canada. The rapid expansion of remote working and on-line business opens up significant opportunities for peripheral areas in attracting population, as well as challenges, especially around housing. And many regions, e.g. in Canada, Iceland and Scotland, are now taking a pro-active approach to attract people to settle or return in order to reverse demographic decline.

Changing Paradigms

Covid-19 has not only disrupted people's lives, health care and economic activity. It has also disrupted accepted paradigms, not just on peripherality but also on economics. Our research:

- demonstrates the significantly increased direct intervention of public authorities in the economy, which will have long-term effects on public spending and on the relationship between public authorities and private enterprise and ownership.
- presents a fundamental challenge to the common view that saving lives and saving the economy are in conflict with each other. Our economic analysis suggests that the sharp rise of Covid-related deaths in three NPA countries led to a sharp deterioration of economic sentiment, which was reversed once the number of deaths stabilised, demonstrating the strong economic impacts of health outcomes via their effect on economic expectations. The human rights report also argues against health and economy objectives being in conflict.
- challenges standard economic development prescriptions for prosperity and wellbeing, by revealing how unsustainable for long-term, and now even for short-term prosperity and wellbeing, traditional economic frameworks are.

It is therefore imperative to look for alternative frameworks that put people and the planet first. This shift in economic thinking was already happening before Covid-19, but has been hugely accelerated by the pandemic and has now entered into mainstream economic thinking.

We highlight two well-established paradigms of new economic thinking: Wellbeing Economics and the Doughnut Economy. The Governments of Iceland, Scotland and Finland, as well as New Zealand and Wales, are all members of the Wellbeing Economy Governments partnership (WEGo).

Our research also illustrates that innovation and practice to deliver on new economic thinking is already taking place on the ground in many peripheral regions. This makes the new economic thinking deeply relevant to peripheral regions. It also demonstrates peripheral regions are at the forefront of innovation, with significant experience and wisdom, including among indigenous populations, of how to live well, sustainably and more lightly on the earth. This places innovation in the periphery at the very heart and centre of solutions to societies' most pressing challenges, not least the climate emergency.

Recommendations

In the past policies for peripheral regions have been framed by a mindset that peripheral regions are backward and under developed and need to ‘catch up’ with more developed and central regions. Policy prescriptions have focused, for example, on growth enterprises, linking regions to large more prosperous markets (e.g. tourists from urban centres and abroad), and attracting inward investments by large businesses and corporations.

This policy framework ignores many of the realities and strengths of peripheral areas set out above, and our main project report sets out 18 recommendations for a new and more appropriate, an integrated and more holistic approach to peripheral regions. These are likely to mean that peripheral economies look very different from urban or ‘central’ economies.

The recommendations include the need to **redefine peripherality; adopt new economic paradigms; address inequalities** and, in the light of experience during the pandemic, **focus on enhancing protective and resilience factors rather than growth**, not least by **building on the many assets and strengths to be found in peripheral regions**, which Covid-19 has brought into strong focus.

There are also recommendations to **invest in new emerging sectors**, like the green economy and clean technologies, the bioeconomy, bioscience, technology and the digital economy; **build circular and local economies; diversify regional and local economies**, including by **investing more in micro and small enterprises, in community and social enterprise and in young entrepreneurs**, rather than seeking large-scale inward investments.

Other recommendations focus on the need:

- **to develop local food production, local supply chains and value addition**, to reduce transport emissions and support greater self-sufficiency and resilience, especially in times of crises. This is likely to require significant changes in legislation around food production.
- **to value the role of government, and of public expenditure and investment.** Securing continued access to schools and health care locally, for example, is a critical strategy to support resilience and to retain and attract families and others in peripheral regions. Investment in education, social and health care also provides employment and income to individuals, and enhanced tax revenues to national, regional and local government.
- **to build and invest in effective, empowered and resourced regional and local governance, and cross-sectoral collaboration, including community-based organisations.** Individual regions and localities must be given the ability and support to develop their own local solutions to key challenges, in line with local people’s aspirations and available assets, strengths and skills. This runs counter to the uniform state-centred responses that have predominated in many countries during Covid-19. One way of achieving this is to enable residents in each peripheral community/region to develop their own specific **vision to achieve genuinely sustainable communities** by 2030/2035 (including in many cases growing their populations), which communities and young people, different sectors and agencies can buy into and deliver against.
- **to implement human rights.** Human rights obligations provide critical frameworks for protecting the rights of individuals and groups, not least during crises. Understanding, practice and adherence to human rights needs to be enhanced, e.g. through accessible (on-line) learning for diverse actors, developing appropriate Codes of Ethics, and human rights ombudsmen / informers / councillors who can both support implementation of human rights and conduct audits of policies and actions against human rights criteria. An effective programme for promoting genuine inclusivity within and across organisations and businesses will also help to address inequalities.

- **address demographic trends proactively** to showcase peripheral areas as great places to live and work, and to run sustainable businesses, focusing on assets and strengths, enterprising opportunities and quality of life. Attracting young economically active people is an essential target group, building on the significant shifts in aspirations among young people around wellbeing, balanced lifestyles, family and community, and the climate crisis.
- **support transnational partnerships.** This project itself has demonstrated the value of bringing together experience from diverse peripheral regions across the NPA area, to amplify peripheral voices to the extent of redefining dominant paradigms and perspectives.

Relevant to all these recommendations is our analysis showing the similarities and differences in regional impacts of Covid-19, demonstrating how critical it is to adapt policies and actions to be appropriate and effective for each different peripheral region. There is no 'one size fits all'.

Finally, the main report develops recommendations on **genuinely sustainable tourism** to illustrate the radical shifts that are needed in economic and regional policy. Tourism is one of the sectors that has been most deeply affected by Covid-19. This shock has also deeply challenged most economic development and regional policy for peripheral regions which has often had tourism development at its core, with success measured by ever growing visitor numbers multiplied by estimates of visitor spend. **Over dependence on tourism has been one of the greatest factors undermining economic resilience in peripheral communities during the pandemic**, demonstrating how risky, economically and socially, an excessive dependence on tourism can be.

While tourism development has brought some undoubted economic benefits to peripheral regions, the employment opportunities within the tourist sector are often limited, poorly distributed, low-skilled and seasonal. Seasonality can overwhelm communities in the often short tourist seasons, and leave them essentially 'closed' out of season and bereft of meaningful activity. Tourism has been hugely destructive to the environment, and often to cultural identity and the sustainability of communities as well. At worst, there are reports of 'last chance' tourism within the NPA, to visit ecologically highly fragile environments before they disappear, thereby contributing to hasten ecological collapse in these places.

A radical shift in tourism development is called for, including significant decarbonising of tourism impacts. What is striking about our project's research is just how many entrepreneurs on the ground in the NPA are looking for alternatives too, and just how much good practice there already is, from cozy outdoor dining huts that will be repurposed as greenhouses in the spring, through entrepreneurs going on-line to sustain their businesses virtually, to a massive shift across the NPA area to the opportunities of local and domestic tourism. Tourist providers in Iceland reported that domestic visitors often stayed for longer, engaged in sustainable activities like hiking, and enjoyed exploring their own national and regional culinary and cultural traditions.

Tourism needs to:

- be one part of the local economy, not the dominant one
- be embedded in a local circular economy that primarily benefits local people, producers and enterprises, including through sustainable year-round job opportunities
- benefit local communities, their culture and society
- radically reduce its contributions to the climate emergency with slow and more local tourism and sustainable activities, and
- reimagine its focus from satisfying the needs and wants of external visitors to addressing critical demographic challenges to attract permanent residents, especially young adults and families.