

Annex 2: Assessment of the eligible area in relation to residential and labour market regions

Following paragraphs (16), (20)(x) and (149) of the Guidelines, the key statistical unit for operating aid is Statistical regions at level 2. This is, in the opinion of the Norwegian Authorities, the relevant unit for demonstrating that the aid is appropriate and necessary. In addition, as described in section 12 of the notification letter, we have included some statistics on level 3 regions, as this is a unit referred to in the Guidelines when it comes to investment aid. However, in order to target regional aid in the best possible way, we have considered also lower statistical units. This annex gives the Norwegian Authorities assessment of the area proposed eligible in relation to residential and labour market regions (R&L regions).¹

Analyses at the level of R&L regions may be useful as a supplement when assessing the necessity of a scheme to prevent depopulation in Norway's vulnerable regions. Residents are less likely to work outside their local labour market region (i.e. commute over large distances). When there are insufficient job opportunities within the local labour market region they are more likely to move somewhere else.

Evaluation based only on R&L regions is, however, insufficient. R&L regions, like all regional statistical divisions, are only an approximation of the situation they are meant to describe. Workers commute across labour market regions. In particular, the large cities tend to be important centers of commuting, even if the level is not sufficient to include the residential municipality within the labour market of a particular city.

R&L regions are heterogeneous. Some regions are weak, but the center municipality is strong. Some regions are strong, but contain municipalities where development is poor. It is therefore logical to deviate from the R&L region approach at times.

Deviating from the residential and labour market region approach necessitates a supplementary, case by case study of the degree of integration within some of the areas in question. A limited, flexible approach of this kind ensures that areas are treated equally on the basis of development, while at the same time ensuring that the application of labour market regions is followed in general. It also ensures that the reduced social security contributions scheme is aimed at regions where the necessity of the scheme is unquestionable.

Every single R&L region in the area proposed eligible is assessed with regard to the periphery index (PI), population density and population development. As a general approach, municipalities within an R&L region are treated equally – i.e. R&L regions are either within the scheme or outside the scheme. Out of Norway's 160 R&L regions, there are only 18 exemptions to this approach. There are three reasons for this.

First, in some cases we have excluded strong centre municipalities within an R&L region which otherwise is poorly developed. Examples of this approach can be found in Sogn and Fjordane county, where the centre municipalities of Sogndal (Sogndal R&L region) and Førde

¹ This corresponds approximately to regions at level LAU 1, however, these are not the official LAU 1-regions of Norway. The Norwegian Institute for Urban and Regional Research (NIBR) has in 2013 updated the classification of Norwegian municipalities into R&L regions. The updated classification consists of 160 R&L regions (as to 161 regions in 2002). R&L regions is intended to be a functional expression of the geographical correlation between household and working life while also serving as a geographical building block in the analysis

(Førde R&L region) are excluded from the scheme. For all evaluated periods, there has been a population growth in these municipalities. Furthermore, the PI is relatively high in Sogndal and Førde.

Second, we have included a few very weak municipalities in R&L regions where the overall development of the region is fair. Examples are Tingvoll municipality (Kristiansund R&L region) and Søndre Land and Nordre Land municipalities (Gjøvik R&L region). These municipalities have a negative population development in all periods evaluated and a poor score on the PI.

Third, a few isolated urban centres in northern Norway are experiencing population growth, and these play a major role in preventing an even higher population decline. The whole northern Norway region has therefore been proposed for inclusion in the scheme.

Statistics on all (eligible) R&L regions are enclosed in annex 3.