

The purpose of the Regional Potential Index

Rankings and indexes are developed for many different purposes. One example from the EU level is the ranking of regions to define eligible areas for structural funds based on GRP levels in the past. National rankings are created to show the most favourable business climate or the best place to live.

The purpose of Nordregio's Regional Potential Index is to show the current performance of the 74 administrative regions of the Nordic countries; to identify regions with high potential for future development and their common denominators; and to identify regions in need of further support and policy measures to strengthen their potential and meet existing challenges. Last but not least, the index provides policy-makers with insights on regional strengths and weaknesses, and could be used for comparative learning between Nordic Regions with similar geographies but different outcomes in the ranking when it comes to creating effective regional development strategies.

THEME 5
**MEASURING
REGIONAL
POTENTIAL**

Chapter 14

NORDREGIO'S NEW REGIONAL POTENTIAL INDEX

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This report gives plenty of insights to what impacts regional development. In previous chapters, we have shown you how the 74 Nordic Regions perform in a range of important indicators. But, which regions stand tallest when it comes to core economic, demographic and employment indicators – and thus have the greatest potential for future growth and development? For the first time in this report series, Nordregio has constructed a Regional Potential Index (RPI) for all 74 Nordic Regions. And the top performer 2015 is Oslo, the Norwegian capital region, closely followed by two other capital regions: Hovedstaden in Denmark and Stockholm in Sweden. Just as interesting though, in terms of future potential, are the fastest climbers in the ranking, for instance the regions of Troms and Nord-Trøndelag in Norway and Jönköping in Sweden.

In the end of the chapter, we explain in detail how the RPI was constructed, what it measures (see list of indicators in table 14.4) – and how it can be useful for regional developers and planners. A general conclusion is that the top section of the ranking list (see table 14.1) is quite predictable in a time of continuous urbanisation, globalisation and digitalisation. Regions that are able to attract the most human and innovation capital come out strongest also in terms of future growth potential. Most of these are big city regions, but not all of them – Åland is one clear deviation to the rule. Despite their strengths, the top regions are not without challenges, particularly with respect to labour market potential. But, the regions found at the lower end of the ranking certainly have more challenges to address. Many have struggled for years with negative population trends and/or negative economic development.

which regions stand tallest when it comes to core economic, demographic and employment indicators – and thus have the greatest potential for future growth and development?

Table 14.1 Regional Potential Index

2015 rank (2010 rank)	Region	Regional potential	Demographic potential	Labour market potential	Economic potential
1 (3)	Oslo (NO)	758	278	190	290
2 (1)	Hovedstaden (DK)	756	286	170	300
3 (4)	Stockholm (SE)	753	263	190	300
4 (2)	Akershus (NO)	748	248	260	240
5 (5)	Helsinki-Uusimaa (FI)	738	278	180	280
6 (6)	Rogaland (NO)	728	188	270	270
7 (10)	Sør-Trøndelag (NO)	703	173	260	270
8 (7)	Hordaland (NO)	685	165	240	280
9 (9)	Uppsala (SE)	618	218	180	220
10 (8)	Höfuðborgarsvæðið (IS)	598	248	220	130
11 (12)	Åland (AL)	595	195	210	190
11 (11)	Vest-Agder (NO)	595	195	190	210
13 (14)	Västra Götaland (SE)	588	188	140	260
14 (32)	Troms (NO)	578	128	230	220
15 (16)	Buskerud (NO)	568	158	210	200
16 (14)	Møre og Romsdal (NO)	553	113	220	220
17 (19)	Midtjylland (DK)	535	195	130	210
18 (21)	Suðurnes (IS)	526	226	150	150
19 (20)	Vestfold (NO)	516	226	160	130
19 (18)	Skåne (SE)	516	226	110	180
21 (22)	Sogn og Fjordane (NO)	498	68	250	180
22 (25)	Syddanmark (DK)	480	180	100	200
23 (17)	Pirkanmaa - Birkaland (FI)	465	165	130	170

24 (34)	Halland (SE)	463	203	180	80
25 (38)	Österbotten - Pohjanmaa (FI)	460	90	180	190
26 (13)	Varsinais-Suomi - Egentliga Finland (FI)	448	188	130	130
26 (21)	Suðurland (IS)	448	128	170	150
28 (31)	Östergötland (SE)	440	150	100	190
29 (23)	Norðurland eystra (IS)	428	128	150	150
30 (43)	Örebro (SE)	418	158	100	160
30 (47)	Jönköping (SE)	418	128	150	140
30 (41)	Kronoberg (SE)	418	128	110	180
33 (37)	Nordjylland (DK)	415	165	100	150
33 (46)	Västerbotten (SE)	415	105	160	150
35 (23)	Norðurland vestra (IS)	413	83	180	150
35 (24)	Austurland (IS)	413	83	180	150
37 (41)	Nordland (NO)	410	90	150	170
38 (30)	Norrbottnen (SE)	408	68	140	200
39 (26)	Vesturland (IS)	405	105	150	150
40 (56)	Finnmark (NO)	403	113	140	150
41 (28)	Vestfirðir (IS)	400	90	160	150
42 (48)	Oppland (NO)	390	120	180	90
42 (36)	Telemark (NO)	390	120	130	140
44 (29)	Aust-Agder (NO)	388	158	130	100
45 (43)	Västmanland (SE)	383	173	90	120
46 (50)	Faroe Islands (FO)	378	98	230	50
46 (63)	Nord-Trøndelag (NO)	378	98	200	80
48 (26)	Sjælland (DK)	368	188	90	90
49 (29)	Østfold (NO)	365	195	100	70

50 (61)	Västernorrland (SE)	343	83	110	150
51 (51)	Hedmark (NO)	338	128	130	80
52 (53)	Södermanland (SE)	330	180	70	80
53 (43)	Kanta-Häme - Egentliga Tavastland (FI)	310	120	120	70
53 (53)	Dalarna (SE)	310	90	100	120
55 (70)	Jämtland (SE)	305	75	160	70
55 (39)	Pohjois-Pohjanmaa - Norra Österbotten (FI)	303	83	120	100
57 (67)	Gävleborg (SE)	298	128	70	100
58 (69)	Gotland (SE)	295	135	110	50
59 (55)	Blekinge (SE)	285	135	90	60
59 (58)	Satakunta (FI)	285	105	70	110
61 (49)	Keski-Suomi - Mellersta Finland (FI)	283	113	90	80
62 (60)	Kalmar (SE)	280	120	100	60
63 (57)	Etelä-Karjala - Södra Karelen (FI)	275	75	90	110
64 (52)	Päijät-Häme - Päijänne-Tavastland (FI)	270	150	80	40
65 (65)	Pohjois-Savo - Norra Savolax (FI)	255	105	90	60
65 (66)	Keski-Pohjanmaa - Mellersta Österbotten (FI)	255	75	110	70
67 (64)	Greenland (GL)	248	98	60	90
68 (68)	Värmland (SE)	238	98	70	70
69 (71)	Pohjois-Karjala - Norra Karelen (FI)	220	90	80	50
70 (72)	Etelä-Pohjanmaa - Södra Österbotten (FI)	208	68	100	40
71 (73)	Etelä-Savo - Södra Savolax (FI)	205	75	90	40
72 (62)	Kymenlaakso - Kymmenedalen (FI)	200	90	60	50
73 (69)	Lappi - Lappland (FI)	198	68	70	60
74 (74)	Kainuu - Kajanaland (FI)	135	45	60	30

The ranking results from a Nordic, comparative perspective

Norwegian regions perform well in the ranking overall. We can see some particularly strong results from regions with industries, businesses and services related to oil and gas extraction, a trend that is probably about to break, considering the decreasing oil prices. Denmark and Iceland also have a large proportion of regions with high regional growth potential. In Sweden and Finland the domestic variation between the strongest and weakest regions is greater. Sweden, for example, scored very well around the capital and also along the west coast, while the three south-eastern most regions Blekinge, Kalmar and Gotland, which include Sweden's largest islands (see figure 14.1) scored relatively poor, largely due to lower scores on economic indicators.

In Finland, many regions received lower rankings, specifically in the eastern and northern parts. The picture here is even more diverse than in Sweden. Some regions scored well on demographic potential but were low on both economy and labour force potential while others scored low on all three dimensions.

One thing to remember at this point is that we are studying regions within the Nordic Region which is relatively cohesive compared to many other European regions. Since the ranking is normalised, the regions are allocated scores in relation to the best and worse regions in the sample. That means that the region with the lowest value of an indicator is allocated 10, while the

best value is 100. All other values are scored in between those based on relative values of indicators. In short: the difference between regions in the ranking can be perceived as larger than the absolute differences between regions.

The reader of the ranking should also be reminded that the ranking is based on data from national statistical institutes, which do not include data on cross-border commuters and business. Consequently, a couple of regions located along national borders (e.g. between Norway and Sweden) would most probably have performed better if cross-border data would have been included.

Top movers since 2010

Another important aspect of indexes and rankings is of course to create them repeatedly to show trends or movements in the ranking list. This is particularly instructive when we consider the capacity of the ranking to capture both the current situation and potential for future regional growth. As you can see in table 14.2, some regions including Troms (Norway), Jönköping (Sweden) and Nord-Trøndelag (Norway), have climbed impressively when comparing scores from the 2010 ranking with the 2015 ranking. These have a common denominator in that they are quite far from the capitals, with the Norwegian regions have increasing their GRP/capita and the Swedish regions reducing their youth unemployment and increasing their share of people aged 25-64 with high education degree.

There are also a number of regions that are losing scores (see table 14.2) or scoring low both 2010 and 2015 (see bottom of table 14.1). These are apparently at a worse place when it comes to indicators describing economy, demography and labour market. Common for many of them is that they display higher youth unemployment and lower but still positive net migration rates, which in turn means lower growth potential for years to come and thus greater challenges when it comes to implementing strategies and measures for regional development.

There is certainly scope for further analysis of regions that have shown dramatic shifts in the ranking, to investigate the mechanisms at work in the region, both before and during the measurement period. Nordregio sees potential for an inter-regional dialogue that would enable learning between high-scoring and low-scoring regions with similar geographies (see below), but different regional development strategies. Successful strategies could perhaps be implemented elsewhere. Some regions might also be interested in going deeper into which indicators they have evolved in, and the story behind this development. Where regions have slipped in the ranking, greater understanding of contributing factors may be useful in preventing further decline.

Table 14.2
Top movers 2010-2015

Top 5 climbers

Troms (NO), +18
Jönköping, (SE) and
Nord-Trøndelag (NO), +17
Finnmark (NO), +16
Jämtland (SE), +15

Top 5 drops

Sjælland (DK), -22
Østfold (NO), -20
Pohjois-Pohjanmaa/
Norra Österbotten (FI), -16
Aust-Agder (NO), -15
Vesterland (IS) and
Varsinais-Suomi-Egentliga Finland (FI), -13

Table 14.3 Top 5 by regional typology

Top 5 Rural regions

(based on the ESPON CU Urban Rural typology 2011)

- 11. Åland (AL)
- 14. Troms (NO)
- 16. Møre og Romsdal (NO)
- 18. Suðurnes (IS)
- 21. Sogn og Fjordane (NO)

Top 5 Northern Sparsely Populated Areas

(includes the northern regions of Finland, Norway and Sweden)

- 14. Troms (NO)
- 33. Västerbotten (SE)
- 37. Nordland (NO)
- 38. Norrbotten (SE)
- 40. Finnmark (NO)

Top 5 Intermediate regions

(based on the ESPON CU Urban Rural typology 2011)

- 6. Rogaland (NO)
- 7. Sør-Trøndelag (NO)
- 8. Hordaland (NO)
- 9. Uppsala (SE)
- 10. Hövuðborgarsvæði (IS)

Top 5 Nordic Arctic regions

(as defined in the Arctic Human Development Report)

- 10. Hövuðborgarsvæði (IS)
- 14. Troms (NO)
- 18. Suðurnes (IS)
- 26. Suðurland (IS)
- 29. Norðurland eystra (IS)

The diverse geography of Nordic Regions

The Nordic Region is a diverse geographical unit displaying everything from metropolitan urban regions to remote rural regions and even Arctic regions. Hence, it is useful to compare the rankings of regions which share similar geographical characteristics. In order to make this comparison, four typologies have been developed spanning different types of geographies: Rural; Northern sparsely populated; Nordic Arctic regions and Intermediate regions (regions including at least one bigger city but not the capital, except for Iceland). These are shown in Table 14.3, including the five top-scoring regions for each.

Sweden's rural regions perform well in general, but not on par with the rural top-performers found in Norway and Åland. Among the NSPA regions, Sweden and Norway perform better, while Finnish regions (as already highlighted) perform at the lower end of the

scale. For the Arctic regions, the comparison becomes a bit "unfair" as Höfuðborgarsvæði and Suðurnes for instance are capital city regions, while some others are more rural Arctic regions. Finally, among the Intermediate regions, Norway again comes out very strong.

The ranking does not take into account any qualitative dimensions, such as experienced life quality.

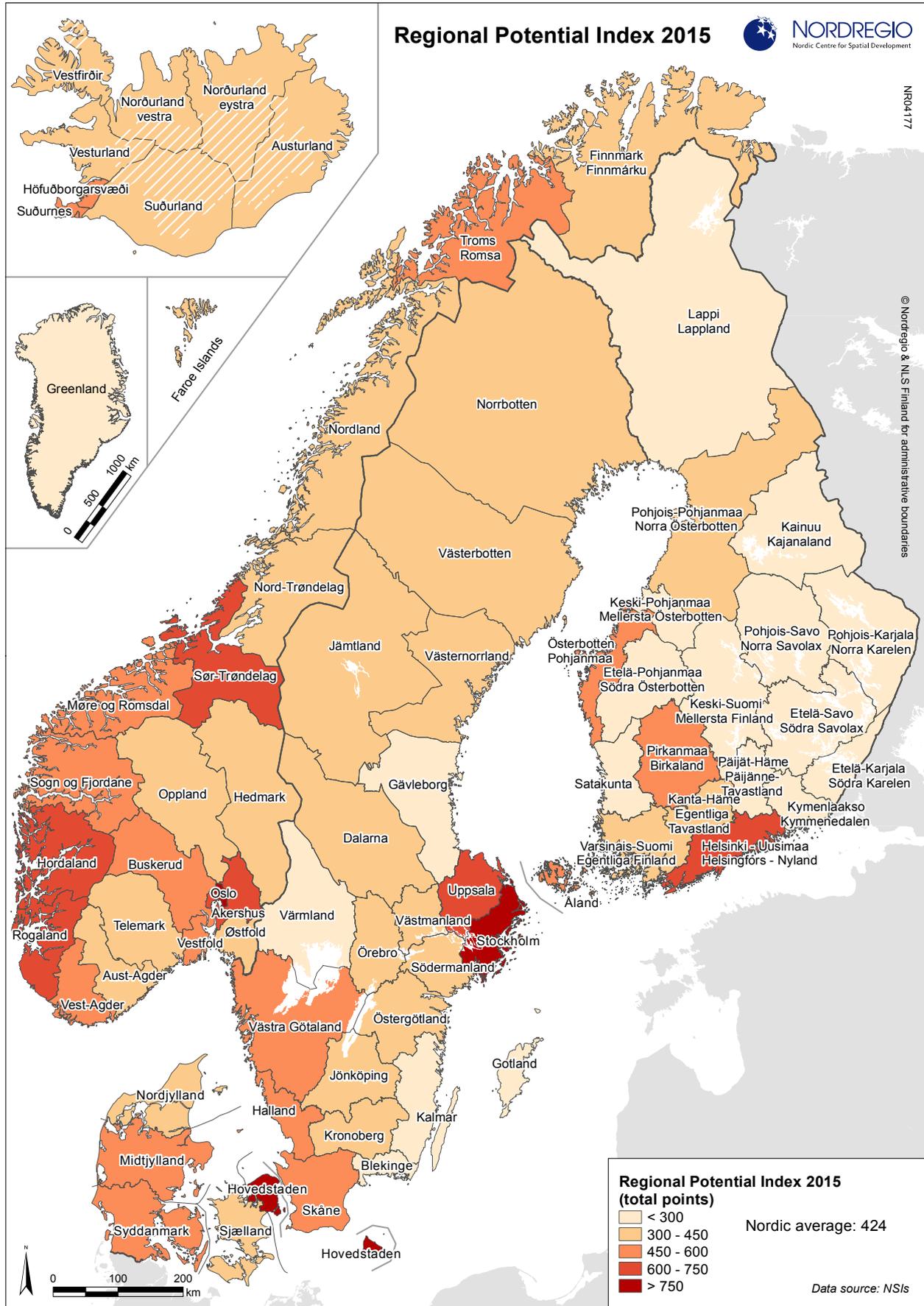


Figure 14.1: Territorial potential 2015. Note: Bornholm (DK) is part of Hovedstaden, Denmark's capital administrative region

Methodological elements of The Regional Potential Index

Nordregio's Regional Potential Index is made up of indicators that have been carefully selected because of their implications for regional or territorial development. The data has been harmonised and standardised and is drawn from a solid data base that covers a long period of time and many geographical levels. The selected indicators do not have high correlation and only a limited amount of data sources had gaps. The selected indicators also offer strong communicative value allowing the ranking to be easily understood and widely used in the regional development context. Much of the data included in the ranking is drawn on in other chapters of this report and is also available on NordMap. The three themes, related indicators and weighting can be seen in Table 14.4.

As can be seen in Table 14.4, GRP/capita is weighted more heavily than the other indicators. The reason for this is that it has historically been determined as perhaps the most relevant measure of both current performance and future development of a region. Total score for demographic potential has also been modified to have a total score of 300, consistent with the other two themes, by allocating

between 7,5 and 75 points for each indicator. Indicators connected to environmental values are not included in this ranking. This is mainly due to relatively small differences within the Nordic Region, when comparing with other parts of the world (except soil sealing).

Despite the rigorous process through which the ranking was developed, some limitations remain and the ranking should be understood from a rather instrumental point of view: Firstly, the ranking does not include cross-border data. Consequently, regions located on national borders where workers commute to work in another country (e.g. Värmland in Sweden) and may have received lower rankings than if cross-border data was considered. Secondly, due to a lack of good, quality recent data for a number of regions, the ranking does not include indicators of accessibility. Finally, the ranking does not take into account any qualitative dimensions, such as experienced life quality, or the existence of regional development or smart specialisation strategies. It also doesn't give any advice on what would be required in the future in order for regions to build on the dimensions included in the index.

Table 14.4 Indicators included in the index and their respective weights

Theme	Indicators	Points allocated
Demographic potential	Population density	7,5-75
	Net migration rate	7,5-75
	Demographic dependency rate	7,5-75
	Female ratio	7,5-75
Labour market potential	Employment rate	10-100
	Share of the age group 25-64 with high education degree	10-100
	Youth unemployment rate	10-100
Economic potential	GRP/capita	20-200
	Total R&D investments	10-100