

GRANSKINGARDEPILIN FYRI ØKISMENNING

**Coping with a Changing Economy in Northern Localities:
An Icelandic Case Study***

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INTRODUCTION

Global changes are taking place in the fishery based localities in Iceland, as in other resource based areas in the North. As a result of the overall extension of market relations, concentration and centralization have been increasing in the fishery industry. New developments in technology have given further scope for this concentration and centralization. The strengthened position of supermarket chains (at the expense of big production companies within the fishing industry), has opened up direct contacts between fishery-based localities and their markets, as well as creating new job opportunities.

The development of regional, resource-based villages was an essential part of the modernization process in the northern states. This trend has changed, and the state no longer seems to have the same obligation to maintain or expand its system of welfare to such areas. Throughout the industrialized world both social programs and regional development programs have been first downsized, and then decentralized, often with corresponding devolution of autonomy to lower levels of government. In the fisheries, these trends can be seen as a way subsidization arrangements have been decreased, along with the privatization of the commons, through different quota allocation schemes. These changes have been made in order to dismantle “top-down” regional politics, and leave it to market mechanisms to “rationalize” the fisheries, economically as well as biologically.

These processes have been problematic for many small, fisheries-based localities, which have been especially vulnerable because of their narrow economic base. As top-down regional politics are no longer likely to solve their problems, the inhabitants of the villages and small towns increasingly have to pursue their own strategies. In some cases, market solutions have been forced on local fishery-based villages in ways that have caused severe crisis, not only economically, but also socially and politically. In the North, many small villages based primarily on fisheries have found themselves on the brink of extinction, as the natural resources they relied on have vanished or are no longer accessible. Sometimes this happened partly as a result of overfishing, but more often as a result of the state’s new management schemes, which created winners and losers.

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What is presented here is largely based on the study, *Coping under Stress in Fishery Communities*, which I did along with Jógvan Mørkøre from the Faroes Islands, and Larissa Riabova from Russia. It is a study that includes three villages. These villages are Bolungarvík in Iceland, which is discussed here, Vágur in Suðuroy in the Faroes, and Teriberka in the Murmansk region of Russia. All these villages experienced economic crisis and even collapse in the early 1990s. My discussion is also based on my earlier studies in Bolungarvík from 1989, 1996 and 1997. The study, *Coping under Stress in Fishery Communities*, was done as teamwork. We prepared the study together based on our earlier work, did fieldwork in the three countries in the spring and summer of 1999, analyzed the material together, and wrote a common report (Mørkøre, Riabova, and Skaptadóttir 2001)¹. In my earlier studies I had focused on the gender aspects of the transformations in fishery villages. I had been focusing on women and men's different attempts to cope with new challenges. Thus, I want to include the new challenges in my analysis here.

The main goal of the project was not just to describe the changes and their effects, but to examine the coping strategies applied by the inhabitants and to compare coping processes in these three localities. One of the main concepts applied in the project is the concept of “coping”. Coping has been used in the MOST projects to capture local strategies that result from the processes of reflexivity. As Aarsæther and Bærenholdt (1998) point out, different coping strategies are applied in different settings and coping strategies vary in form, in content and the extent to which they are successful, both in the short and the long run. An important feature of the concept of coping is that agency and innovation are central. Thus, the focus is people as actors. In our study we focused on local strategies, but they are usually linked to the regional, national or global structures. In this project, we examined local initiatives to cope with the economic crisis, and with new challenges. We examined not only local economic strategies, but also social and cultural efforts to make the villages viable by focusing on innovative actions, networking and identity constructions. Thus, we were considering more than just the economic sphere. We were interested in linking the social and the economic. Interplay of three basic types of social relations, based on Mingione's (1991) analytic scheme, is useful to keep in mind in the examination of

¹ This article is, to a large extent, based on our report. It is a project within the MOST Circumpolar

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local reality. These relations, as delineated in Aarsæther Bærenholdt's (1998) "RAM" triangle, are: relations based on *reciprocity*, such as kinship and friendship; relations based on *associations*, which can be local or nationwide, informal or formal (including state and politics), and finally *market relations*. The localities in our project have different histories, and the various changes they have experienced affect the strategies they have for coping. However, what they have in common is that they are all resource-based fishery villages that have always depended on the world market for sale of their products. Moreover, in each locale, relations based on reciprocity and association have declined, while market-type relations have become more important. This is true, not only within communities, but also in their relations to the outside world. Like many other northern localities, they have been losing ground as they have increasingly become exposed to global processes of economic, administrative and cultural restructuring (Bærenholdt and Aarsæther, forthcoming).

"Social capital" is one of the latest concepts linking economic, social and political spheres. There are several views of social capital, as recently reviewed by Woolcock (1998). Woolcock points out that, within economic sociology, social capital is used as "a broad term encompassing the norms and networks facilitating collective action for mutual benefit" (Woolcock, 1998: 155). This is very much in keeping with Putnam's views, which characterize social capital as qualities of social life that make people able and willing to co-operate in the name of common interests in order "to improve the society" (Putnam, 1993). Putnam points to social networks, associated norms and interpersonal trust as the main factors forming social capital. In turn, they facilitate collective action in the community, contributing to its social and economic development. Putnam's view is about local, informal, and often self-reliant development. One of the essential points of Putnam's approach is that social capital results from long experience with interpersonal cooperation. It is an outcome of historical processes, not just an effect of short-term co-operative experience in certain areas.

THE ICELANDIC CONTEXT

The fisheries have played a central role in Icelandic industrialization, and the economy continues to be heavily dependent on the fisheries. The importance of the fisheries to the Icelandic economy rests first and foremost on the large share of fish products in exports. The relative importance of the fish industry varies greatly from one area to another. In some areas, such as the West Fjords, where Bolungarvík is located, the fisheries have been essential for the continuation of habitation (Skaptadóttir 1996). More than half of the population of Iceland lives in the capital Reykjavik or its vicinity (171,515 people in 1999), in the southwest part of Iceland, where the population has been constantly increasing and grew about 20% in the last decade of the twentieth century. Most other people live in villages and towns spread along the coast. There are about 30 villages, with 200 to 2000 inhabitants, that could be defined as fishery-dependent villages in Iceland. Many of them have, in recent years, been combined into fewer and larger municipalities. The West Fjords have many such small fishing villages. They are now combined into fewer municipalities, with one central town Ísafjörður that has 4.278 inhabitants (*Statistical Yearbook of Iceland*, 2000). Bolungarvík is however, one municipality, and the inhabitants voted against belonging to a larger municipality that would contain the other villages in the area. These other villages became a separate municipality after an election in 1996.

Villages came into being in Iceland in the nineteenth century, when proximity to good fishing grounds was much more important than it is today. Most of them developed as single-enterprise villages around the fisheries. Often one dominant company was in the hands of a single family. As in other Nordic countries, integrating the widely-dispersed fishing communities into the national economy was an important goal in Iceland in the decades following the Second World War. Official regional policies were concerned with maintaining employment in the dispersed villages and small towns. One of the ways to develop the national economy was to modernize the fishing industry. Loans were provided to buy trawlers, and numerous measures were taken to improve life in the villages along the coast, especially in health care and education. Road construction, bridge building and assistance with building new harbors were also important in this development (Bærenholdt, 1994). Like other northern areas, which establish their economy on primary resources, fishery-based villages in Iceland

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have always been tied into the international economy. Today, their inhabitants produce fish products for a world market with the aid of high-technology fishing vessels and fish plants. Villages in Iceland are, in many different ways linked to the global economy.

The fishery management system, new market relations, commitment to market solutions, and the diminishing commitment of the state to regional planning are all elements that can explain the transformations that are taking place in small villages in Iceland. A quota system in the fisheries was first established in 1984 as a temporary solution to problems of diminishing fish stocks and overinvestment in vessels. In 1991, the system was extended, and quotas became divisible and freely tradable among vessels (independent transferable quotas [ITQs]). Economic rationality and efficiency have been set forth as the primary goals of the system and, as such, it has been viewed as successful. One of the effects of the ITQ system is a concentration of quota shares in the hands of few large companies. The number of small companies holding quotas has, on the other hand, decreased dramatically (Pálsson and Helgason, 1996). Only those who hold quota shares, or can afford to rent them, are allowed to catch fish. Others no longer have access to the resource. Many villages in the West Fjords have been hit hard, and have lost most of their quota, and thus the right to fish. Locally based control over access to resources has increasingly been lost. Within villages, great inequalities have been generated between households that own quotas and those that have no quotas. Many people have chosen to sell their quotas for a high price, and move to the capital region. The other villagers are then left without access to fishing, with fewer jobs in the fishery and related industries and services, and with houses that cannot be sold.

The processing of fish, a job primarily done by women, has decreased at the same time. There are two main reasons for this. First, processing at sea on trawlers with freezing capacity has increased greatly. Second, productivity of fish processing plants has been given more importance, as in other Nordic countries. To ensure more productivity, the goal of creating larger production units in fewer central localities and new production systems with more labor control has been emphasized. A new type of management that allows less flexibility than before makes it harder for women to combine a processing job with child rearing. Since wages are low, and the new tech-

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nology creates constant pressure, many local women no longer want to work in the fishing industry. Instead of raising wages and making accommodations for village inhabitants, managers employ workers brought in from other countries on temporary contracts. These workers have no choice but to work long hours, and can easily be displaced or relocated.

Companies in the fishery sector are no longer as embedded in village life. In an earlier time, villages and companies were regarded as parts of a complementary whole, one in which they supported each other's existence. The changes outlined above have caused increased marginalization of places such as Bolungarvík.

BOLUNGARVÍK

Background

Bolungarvík is a fishery village with 998 inhabitants (*Statistical Yearbook of Iceland*, 2000). It is located on the northwest peninsula of Iceland, and is one of the northernmost villages in the country. The village is located on a small area of lowland, with steep mountains on three sides and the ocean on the fourth. Until the 1950s, the only way to get to Bolungarvík was by boat, horse riding or walking. Today, it is only a fifteen-minute drive from the nearest town Ísafjörður. Bolungarvík may seem oddly located, as it has bad harbour conditions. However, the village is appropriately located in terms of access to good fishing grounds, which was important when boats were small, and could not go far.

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on the fishery. As the main job providers, the managers viewed it as their duty to give jobs to all members of the community, including youths during their summer holidays. This was a common goal of the company and the municipality. The municipality still provides jobs for all youth willing to work, during the summer. The fact that the economic prosperity of the village compared well to other villages is evidenced by the relative absence of old houses.²

The inhabitants are active in many different kinds of organizations, some of which have existed for many decades. For example, the women's association began early in this century as a charity organization. There are also a local rescue team, the Lions, a church choir and a women's choir. These and other associations organize different cultural activities not only for themselves, but also for other villages in the region. They frequently use the funds raised to finance communal things, such as the church or community hall. There is a golf course next to the village, a swimming hall which serves as a popular meeting place, and a football field.

Before the economic crisis of the 1990s, the social and economic ties within the community were very much based on kinship. The same few families who owned the companies in the village were also on the municipal board and active in local associations. Moreover, these few families supplied individuals to serve as members of parliament. There was a clear division in the village between the kin group that was more or less running the village, and the others. This division did generate conflict, but there was a common understanding of shared interests in village economic activities. Although one family was most dominant in economic life, there were also a few other families visible in economic and social life. These families were also, to some extent, linked through marriage and friendship ties. In the late 1980s, it was not difficult to trace kinship relations within the village.

ECONOMIC CRISIS

In the late 1980s, economic difficulties were increasingly in Bolungarvík. The main fisheries company experienced more and more difficulty as a result of increasing interest rates, and cuts in cod quotas (Guðmundsson 1993). Some of the inhabitants

² Many inhabitants were able to build new houses in the decades following the Second World War.

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suggested, in interviews, that the third generation running the company meant that there were too many people looking for an administrative position in the company. The difficulties were met by investing in new technology to meet new production standards. The municipality, which had already been involved in supporting the local fishery, invested in the company, with the goal of keeping employment for the inhabitants, and the economy of the village running. This was done in an attempt to make it possible for people to stay in Bolungarvík. In spite of these and other efforts, the company went bankrupt in February, 1993, and the majority of the villagers became unemployed. At the time of the bankruptcy, the village was burdened with a debt that was three times higher than its annual revenues.

With the bankruptcy, a large proportion of the population was unemployed for the first time in their lives. The crisis was felt throughout the community, as most of the economic activities in the village are related to the fisheries or base their existence on them. It was a big shock for the villagers, as they had been very proud of local economic life. It had been seen as the prime example of the success of private enterprise. In the late 1980s, the inhabitants still expressed strongly belief in the future of the village and its economic establishments (Skaptadóttir 1995).

As a result of the bankruptcy, many people moved away; since then, the population has been less stable. The prices of houses have gone down, and people who want to search for employment elsewhere have problems selling their houses. In spite of the crisis, people have come and gone, and many new people have moved in from other parts of the country. Further, the old families who had been dominant before are no longer as visible as they used to be. Although family and kinship ties are still important in some local economic initiatives, the owners of the larger establishments are not locals. It is clear that market-type relations have become more important in the village. A few private firms have tried to run the large fish processing plant, but not with great success. The outside owners are not much concerned with aspects of local life, other than running their companies successfully. They are not involved in the day-to-day life of villagers, and are not involved in local associations. Their main goal is not the continuity of habitation, but operating their businesses in the most efficient manner.

COPING STRATEGIES

The inhabitants of Bolungarvík are, to varying degrees, attempting to cope with the changes that have come about. The first response from the villagers after the collapse of the main industrial company was to wait for something to happen. They believed that this was just temporary situation. Attempts were, however, soon made to start new companies to keep the vessels and fish plant operating. The two trawlers working out of the harbor were bought, as was the freezing plant. One of the trawlers was soon sold in order to be able to maintain the other. The plan was to turn the remaining vessel into a trawler with freezing capacity, but they never managed to do that. The municipality and many inhabitants bought shares in a new company that began processing fish in the fall of 1993. In 1995, a new company came in, and had the freezing plant totally renovated. They opened one of the best-equipped factories in the country at the time. The inhabitants became optimistic that this would last. In 1997, a company from the south bought a large number of shares in this company, including quotas, and promised they would keep production going in the village. However, after running the factory for less than a year, they moved their quotas and fish processing from Bolungarvík, and only kept the shrimp processing there. In 1999, a new company came in and had, at the time of our fieldwork, just started shrimp processing there (it has since gone bankrupt).

The second largest employer in fish processing in Bolungarvík was a man from nearby village who was processing fish from Russian trawlers since 1994. He hired people, mostly from Poland, to work there. He had companies in two other villages in the region, and was referred to as "the red army". However, during the time of our field trip, his company was closed, as he could not provide the financing needed to continue. Local people, who have access to quotas, have developed some small industries around the fishery, and many small boats are now fishing from the village seasonally. An example of local initiatives in the fisheries is an old family in the village that has started a small fish-processing firm. The owners are a middle-aged couple, along with a daughter and son-in-law. The man has been a fisherman for decades. He owned his own boat when the quota system was established, and thus owns quota. The wife has worked for decades in fish processing. She also assisted her husband in running the boat. The daughter has a business education, and takes care of the book-

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keeping. Her husband is a floor manager in the plant. The local savings bank has been involved in these and other attempts. In the 1990s, the bank has, for example, provided loans for villagers to buy quota. The managing board of the savings bank thinks it is very important to support local initiatives. The mayor of Bolungarvík reported that the development of smaller companies, with more diverse economic activities, is a possible positive side of the crisis. As time has gone by, people are beginning to see things differently, and they are trying to find new solutions.

Many of those we interviewed emphasized the importance of creating (or recreating) links within the community. They expressed an interest in making the village more viable as part of making a better life for themselves. They maintained that it is not enough to build economic opportunities and employment, although that may be most important. For example, the mayor and the municipal board have put strong emphasis on creating and strengthening association ties as part of rebuilding and maintaining the community. Giving assistance and support to cultural activities is a step towards this goal. The mayor said that he believes that educational and health systems have to be well maintained during hard times, so that they will not have to be rebuilt after the crisis. This, he pointed out, was also a way to keep up people's spirits. The municipality thus attempts to maintain a good primary school, which is well equipped with computers. They support sports facilities for the children, and the music school. The villagers see these activities as important factors when evaluating whether to stay in the village or to leave. Being a good place to raise children, those interviewed maintained, was one of the main qualities of living in Bolungarvík.

The mayor made an important attempt to have the Natural Science Research Center of the West Fjords located in Bolungarvík. He was trying to build new initiatives, and get educated people into the village. A scientist with a Ph.D. degree was hired to do research in biology. The scientist had no previous ties to the village before moving there with his wife and child. A large natural museum with an exhibition focusing mostly on birds has also been established in the same building.

The handicraft center and the living history museum, portraying an old seasonal fishing site, are examples of local initiatives. Local women who had been working at handicrafts on their own initiated the former. Its establishment was supported by a three-year development project to increase employment opportunities for women in

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the region. Many members of the village, mostly women, participate in the handicraft center. They sell their products mostly to tourists, and to other people in the region. Their products represent locally distinct products, such as jewelry made from fish skin.

The producers of handicrafts reject the idea of large-scale production. They prefer to keep design, production and selling in their own hands. The handicraft center organizes cultural activities within the community. The village council has supported this initiative by providing a building in which to sell the products. The old seasonal fishing site was, on the other hand, begun as an individual initiative. It was established and built by a man who has great interest in the history of Bolungarvík. These two endeavours, along with the natural history museum, which were all created in the 1990s, have become a major tourist attraction in recent years.

There is, however, not much tourist development in the village. Most of the tourists only stop in Bolungarvík for a short time on a bus trip in the area. What we see from the example of Bolungarvík is that market relations have become more dominant in the village. However small initiatives are based on family ties or local connections. They emphasize local distinctiveness, and the importance of using existing ties.

From this discussion of coping we can see that men and women apply different strategies in Bolungarvík; I have found the same in other villages. These differences result from a very gender-divided society. In Icelandic fishery-based localities, we find gender divisions in homes, in work places and in different associations. As in other North Atlantic fisheries, men traditionally fish, and women prepare men for fishing, and process the fish. Wives of small boat fishermen are commonly involved in managing the finances of the boat. With the men away much of the time, the women run the household by themselves. Men have been in control of local politics and the local economic establishments, including the fishing industries. Women, to a large extent, are involved in social services, such as health care and the school system. Men run the fish plants, but women work on the floor processing the fish. Women's work is poorly paid and monotonous; many women prefer other jobs if they are available.

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Gender is embedded in institutions, such as social networks, political connections, employment and access to resources. As managers of large and small fishery companies, men, for the most part, make formal decisions regarding the selling and renting of quotas. In some of my interviews, I have found that husbands and wives do not always agree about these decisions. These decisions, however, affect both men and women's lives. The ways in which people are able to cope as men and women are incorporated into value systems and social networks. As long as women and men's daily lives differ because of their gender, they will continue to have different problems to cope with, and different ways of coping. I have found that the strategies adopted by women more often stress community and working together, whereas men respond more on an individual and political level. The already existing gender divisions within fishery communities underpin these different responses. Women use social connections that are already established among them in different formal and informal social organizations. Handicraft centers are good examples of these, even though some women have decided to work more on their own. Although men also use local connections, they emphasize individual strategies that are based on market solutions. In interviews, they talked about starting up new industries (mostly in the fisheries). Their strategies were more conscious and planned, using more formal channels, channels that were more open to them.

DISCUSSION

The Icelandic government has, for more than a decade, put great emphasis on economic rationalization and efficiency in running the fishing industry, and subsidies have been greatly reduced. At the same time, there has been a reduced interest in maintaining the states' role in the economic development of rural villages, especially the smallest, which are increasingly seen as a burden on the national economy. The application of market-type solutions has been greater in Iceland than in any other fisheries in the North Atlantic, as exemplified by the widespread use of the individual transferable quota system. This resource management system has led to concentration of quotas around fewer and larger companies. According to those who put the management system into practice, the system has been successful. However, the effects

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of the system on small, fishery-based villages have in many cases been dramatic, such as loss of access to the resource (and conflicts regarding the selling and renting of quotas), unstable employment, and an increased emigration to the capital area. Small villages have become increasingly marginalized in this process. Bolungarvík has severe problems because of the fisheries management system. However, it is not possible to assume that the economic problems were exclusively caused by this system. However, the system certainly made it much more difficult to rebuild the community, because other, financially stronger regions in the country took over trawlers, and their associated quotas. Losing rights to vital resources increased problems, difficulties that have been difficult to overcome.

In Bolungarvík, different coping strategies have been pursued simultaneously. They are all market-type strategies, but some rely more on family engagement, and others on partnership and the backing of the municipality. The municipality has taken a proactive role. The mayor has seen it as his duty to facilitate economic development. Moreover, economic restoration relying on smaller, family-based units, and the cooperation of the local saving bank, has been important. Thus, in spite of great emphasis on market solutions, ties based on association and reciprocity still play a role in local economic initiatives. Both formal associations, and more informal ones, such as those based on local identity and culture, can be seen in the development of tourist initiatives. These associations remain as strong in village life as before the economic crisis. Although local government and inhabitants view economic diversity as an important goal, the focus has, for the most part, been on the fisheries. This can be seen in the growing number of small boats.

In many of the different coping strategies applied by men and women in Bolungarvík, social capital was seen as an important way to strengthen the local economy. Although people used different ways to talk about this, their emphasis on local history, maintaining of local associations, and network building as facilitating collective action for mutual benefit was confirmation of Putnam's views.

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