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Future perspectives for sparsely populated areas in Sweden

Abstract: *The sparsely populated northern Sweden has been the main target area for regional policy efforts since the 1960s. A rich variety of regional policy measures have been launched over the years. However, despite this and a heavy expansion of welfare undertakings a significant depopulation has taken place. Also the first generation of EU Structural Funds show very weak structural impacts on development of employment and population.*

Against this background the need is highlighted to reconsider fundamental principles behind policymaking. The paper argues for more active efforts to change attitudes and behaviour among economic actors and households in order to achieve stronger structural impacts. As a critical part of this the elaboration is suggested of new proactive strategies aiming at more sustainable spatial structures of welfare distribution and job opportunities in this type of increasingly vulnerable peripheries.

Keywords: *depopulation, regional policy, spatial planning.*

Introduction

An eternal issue in regional development is how to balance between efforts to strengthen traditional structures and to adopt new structural concepts in order to adjust to national and transnational processes of change in demographic, economic, social and political terms. Embedded in this is a critical need for understanding mechanisms and processes, which promote growth of economic activities and attract people more successfully in one local community than in another. According to several authors successful examples of innovative regional development are based on a high level of functional integration through interaction with the territorially-embedded, socio-cultural and socio-economic structures (Asheim and Isaksen 1997; Camagni 1991; Doloreux 2002). Geographical distances, accessibility options, density, agglomeration and presence of various types of externalities provide basic conditions for strength and directions of flows of innovations, knowledge, learning and exchange of information.

The aim of this paper is to present the weaknesses and to suggest strategies for more efficient interplay between policy-making and socio-economic conditions and processes. Areas in focus are regional structures characterised by sparseness and small scale in terms of population and economic activities in the northern part of Sweden. Figure 1 illustrates the settlement structure with a few main centres and a vast majority of the population in the coastal area. As a consequence, distance is a serious obstacle in maintaining both internal and external relations. A further complication in northern Sweden is a strong depopulation process causing increasingly unbalanced demographical structures accompanied with an internal net migration of people to the main centres and their adjacent rural areas. Thus, the sparsely populated areas become increasingly urbanised. This decline process started in some areas during the 1950s, became more widespread during the 1960s, and has continued, despite a rich variety of regional policy measures that have been implemented, ever since. Figure 2 illustrates the depopulation process from the municipality level perspective.

A more distinct way of describing the sustainability problem is to highlight restrictions in terms of extra costs for development and renewal of competence, transport of raw materials, goods and people and maintenance of a basic service level for individuals and firms. An extremely complicated problem in this perspective is the ageing population. Net outmigration of young people means growing problems to match an increasing demand for social and health services with a decreasing supply of labour. Weaknesses in these dimensions have significant impact on the ability to attract entrepreneurs as well as venture capital.

The implementation of EU Structural Funds is a recent example of rearranged regional policy strategies to compensate for much stronger national and international driving forces with a dominant pull impact in peripheral areas. During the period 1995–1999 the first generation of EU regional policy measures was launched in the northern periphery of Sweden encompassing approximately 709,000 inhabitants in 43 municipalities. The Structural Fund Programme discussed here was Objective 6 that had a total national and EU funding of 457 Millions EURO or 645 EURO per inhabitant over the programme period. Figure 3 illustrates the territorial form of the Objective 6 area.

A final evaluation of the Objective 6 programme (Wiberg et al. 2002) showed rather weak sustainable results after its operative period. According to an estimation, based on interviews with a sample of project leaders, 2,140 sustainable new jobs were created during the programme period. The most optimistic calculation presents 14,100 new jobs. In relative terms the positive employment impact thus varied between 0.7 and 4.6% of total employment. However, as is indicated in Figure 4, total employment statistics shows that the area lost 12,300 jobs (3.8%) between 1995 and 2000 despite the jobs created or maintained through Objective 6 measures.

Figure 5 illustrates that also the depopulation tendency continued. The area lost 40,000 inhabitants between 1995 and 2001, which meant a decrease by 5.3%.

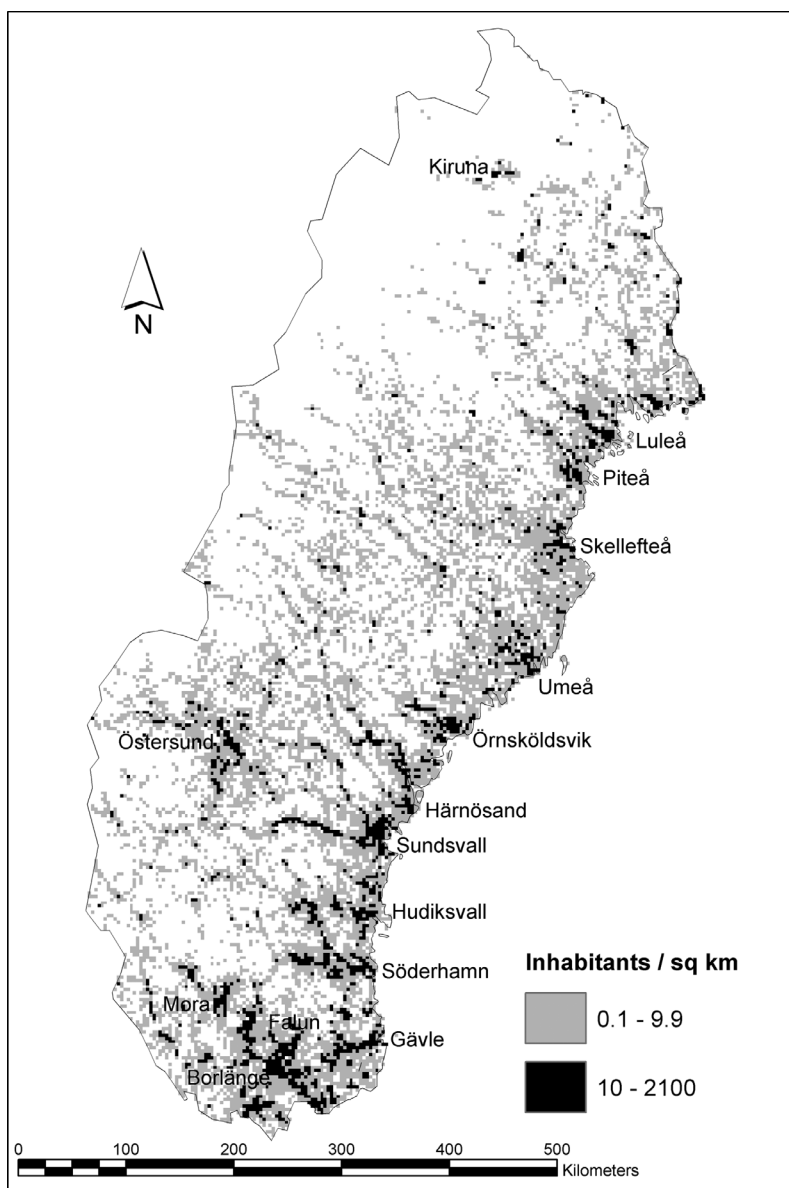


Figure 1. The settlement structure of northern Sweden
Source: Pettersson (2002b).

A migration analysis, presented in Figure 6, shows that the area had an immigration wave during the programme period. However, this could not compensate for the contemporary increase of outmigration. Thus, the programme activities did not have any significant positive impacts on the population development.

The weak structural impacts of the Objective 6 efforts are in many respects in accordance with results of national regional policy efforts since the 1960s.

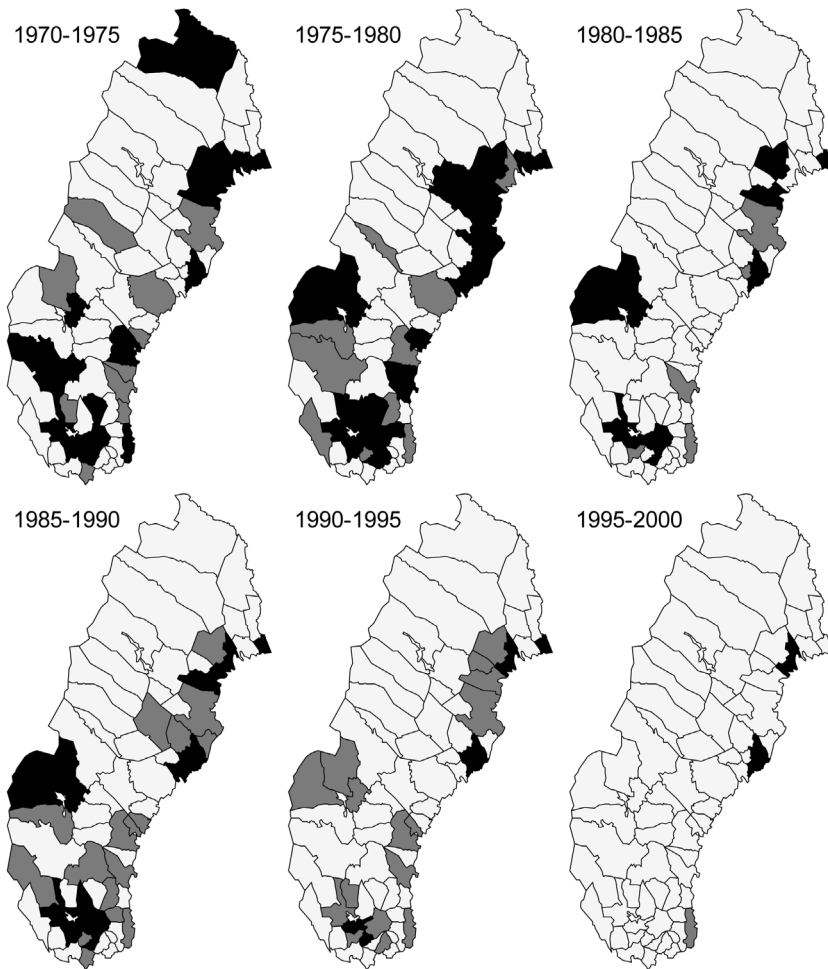


Figure 2. Population changes by municipalities 1970-2000. Northern Sweden

Source: The central government authority Statistics Sweden, Pettersson (2002b).

Note: Municipalities with population growth above the country average during the period are black. The municipalities with population increase below the average are grey, while those exhibiting population decrease are white.

A general experience over the years is that sparse regions face many complicated, market related and institutional, barriers to integration in economic growth processes. In addition to the unbalanced relationship between resources for regional policy efforts and the various processes towards concentration to dense regions and major nodes the weak impacts are also related to the character of the support distribution. Four problematic features may be identified. Firstly, a distribution of support to many rather small projects of short duration. Secondly, too many places throughout the vast territory have acted as primary targets. Thirdly, many projects have been launched without realistic market estimates. Fourthly, projects have not addressed young people's preferences sufficiently.

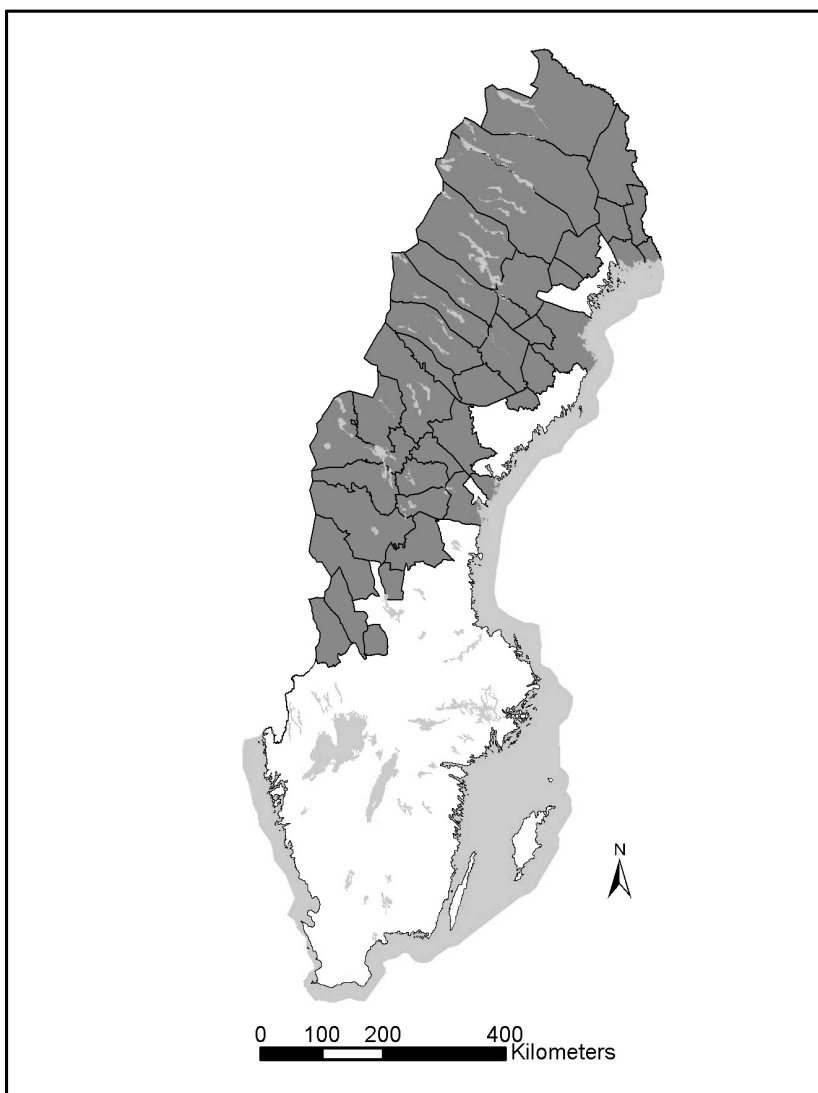


Figure 3. The Objective 6 area in Sweden 1995–1999

Drawing from studies of the sparsely populated areas in northern Sweden over the last 40 years (e.g. Persson and Wiberg 1995; Pettersson 2002b) we may conclude that the dominating policy approach has been to combine general welfare policy implementation with special regional policy measures. These were introduced during the 1960s and 1970s in combination with high spatial planning ambitions. With the central place theory as reference the number of municipalities was heavily reduced and ambitions to strengthen the nodal structure was emphasized. There was an intention that the official classification of municipal centres at different levels be followed up by locating and relocating various types of industries and services. However, due to a strong critical opinion this spatial planning approach became successively toned down during the latter part

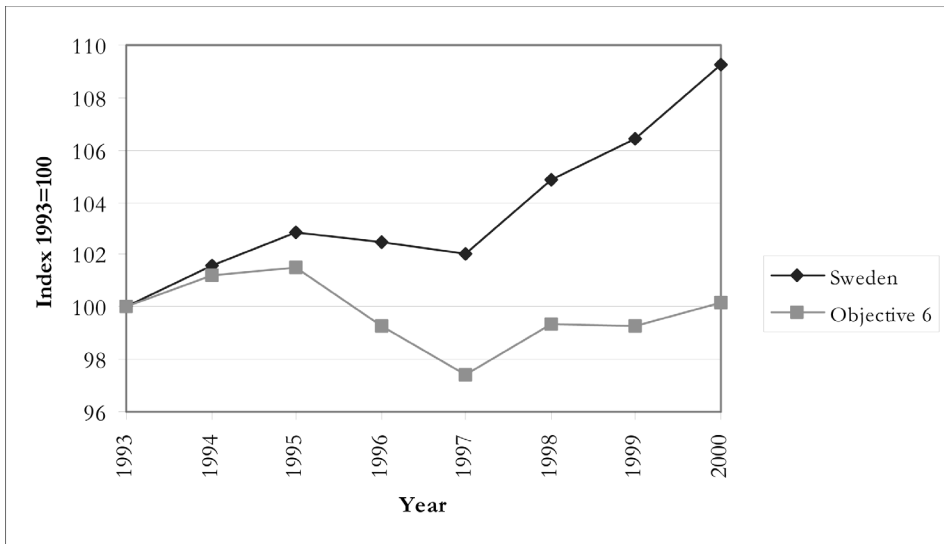


Figure 4. Index of development of employment in the Objective 6 area compared with the average for Sweden

Source: The central government authority Statistics Sweden.

of the 1970s and later on was replaced by a bottom up perspective with stress on measures to preserve rather than to build new structures in sparsely populated areas. In general terms the regional policy objective during the recent decades has been to maintain the established spatial structures of economic activities and service functions as long as possible and often in significantly subsidised manners.

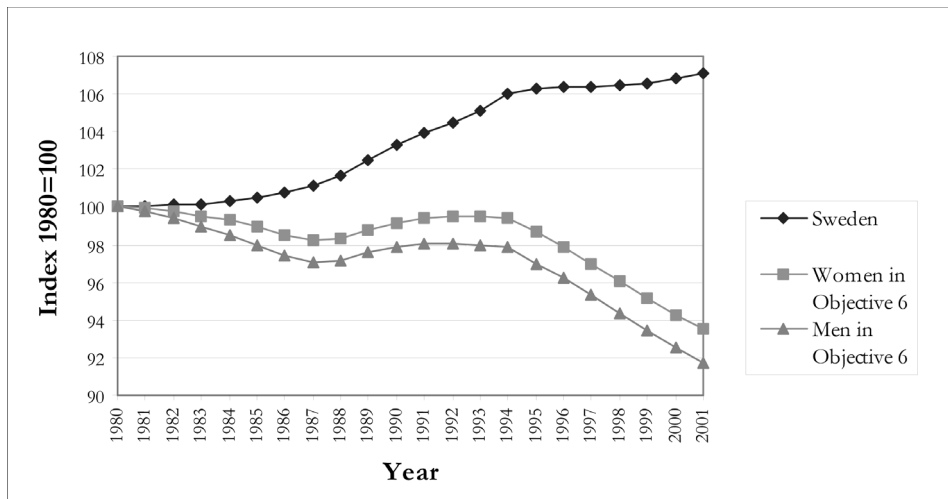


Figure 5. Index of population change in the Objective 6 area and total Sweden 1980–2001

Source: The central government authority Statistics Sweden.

Remark: It should be noted that there are more men than women in the Objective 6 area.

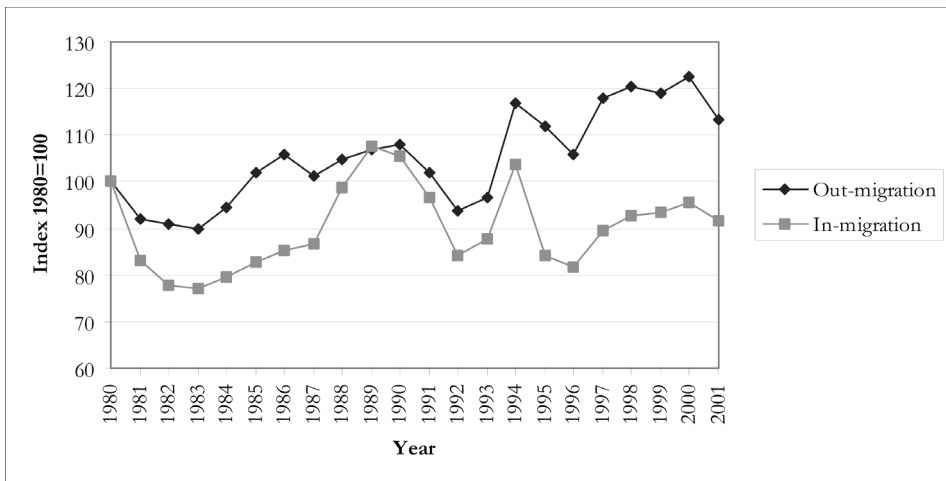


Figure 6. In- and out-migration from the Objective 6 area 1980–2001
Source: The central government authority Statistics Sweden.

As a consequence, a lot of efforts went into slowing down the restructuring of service supplies and to development of distance-bridging solutions and transport subsidies for the sparsely populated areas. Persson, Sätre Ålander and Westlund (2003) are discussing problems related to an increasingly non-market character of rural firms and rural labour areas. They conclude with the following questions: „How should a growth policy for rural areas be designed and implemented, given that many rural entrepreneurs have obvious preferences for social goals and that rural labour supplies increasingly have to be directed to life-long jobs in public service provision? Another way to formulate that question is: is there really a need for a growth policy for each and all rural areas in the European North?“

These questions may be rewritten as statements of the following type. The general view is a lack of visions and strategies rooted in an updated version of considerations. By working with gradual adjustments, mainly influenced by a back mirror perspective, innovative projects based on visionary perspectives related to ongoing structural social and economic macro processes have been put aside. In addition, a great number of socio-economic evaluations call for more careful policy implementation based on various types of practical learning processes. Key elements in the list of conditions and processes to consider in a reoriented policy making are:

- Depopulation and distorted demographical structures.
- Municipalities facing increasing gaps between available infrastructural, financial and human resources and requirements for a sustainable welfare provision.
- Options and threats related to new information technology.
- Changing economic structure from hierarchical organisations and goods production to network organisations and service production.

- New supply concepts and demand structures within tourism industry.
- Northern locations as a unique resource for industries – for example tests of technology in cold climate and space research.
- Changing individual preferences and life styles.

Driving forces and perceptions

As a part of globalisation, the European integration processes and on-going transition from a strongly place oriented hierarchical society into a more place flexible network oriented society, make people and firms experience increasing freedom to choose locations over time. As a consequence this produces increased competition across local communities and functional regions. Both in terms of people and firms the competition is about favourable conditions for staying and attracting.

For successful adjustment to these rules among local communities more attention must be paid to the configuration of social, cultural and political networks internally and in relation to the surrounding world. Static competition, often based on cost-minimisation, is increasingly replaced by dynamic competition based on the accumulation of knowledge and experiences leading to continuous changes and a need to acquire competitiveness through utilising these changes (Niiranen 1999).

This leads to the conclusion that the territory for functional relationships should not be considered given a priori, but as a „constructed territory“ with non-physical resources, particularly know-how, and proximity between various types of network actors (cf. Maillat 1995).

Given preconditions in terms of sparse population, small scale economy and limited diversification, Maskell et al. (1998) argue that without a distinct multi-nodal strategy based on division of responsibilities in creating and maintaining a critical mass of entrepreneurial efforts in promoting and organising innovative processes – *localised learning* – many regional contexts will face considerable vulnerability and risks to be bypassed. Thus, to achieve a sustainable socio-economic development a high level of reliance must be on educational options, learning capacities, economic actors and social capital within a rather wide regional range.

The smaller and the industrially weaker a local community is, the more important is the ability to work in networks within a wider range. The networking outside the local community must be more intense since the preconditions do not offer the advantages of geographic proximity. It also makes it more complicated to arrange a dynamic influx of qualified and talented people to take part in creative processes (cf. Hansen 1992).

To sum up, we may stress six basic dimensions of maintaining in and attracting private firms and entrepreneurs to sparsely settled areas:

- Delimitation and acceptance of a limited number of nodes and links as primary arenas for business oriented investments.
- Functionality of internal integration of transport and communication infrastructure.
- Functionality of external relationships in terms of transport and communication options to major centres.
- Both rivalry and collaborative networking between local business activities as significant drivers behind competitiveness in a broader market sense.
- Variety and good quality of local services and learning options for households and individuals.
- Common identity-building and marketing of the functional business arenas.

From an individual and household perspective key motives behind decisions to stay, migrate out of or migrate in to a certain region or place are often a mix of objective conditions and subjective attitudes or preferences. The objective conditions mainly include basic welfare dimensions. Most critical are employment opportunities, and quality and access to various types of infrastructure and services, schools and other educational options.

The subjective conditions are related to preferences and behaviour rooted in gender and personality. It also includes influences, which may be traced back to social and ethnical backgrounds as well as experiences of living in different types of communities. We may label this kind of motives as life style based. Attractive elements in a locality are often recreational options, leisure options and cultural supply. Further, it is recognised that general trends in the society may have impact on preferences and decision-making among individuals and households. It may also be noticed that subjective components seem to be more actively considered when comparing across places not only in Sweden, but also in many other western countries (Pettersson 2002a).

For individuals the objective and subjective dimensions are changing in importance and relative weight across the life cycle. For example, young households with small children, or elderly in need of daily care, claim quite different social service needs compared to other groups.

Due to the strong depopulation trend in the sparsely populated areas, accompanied with a growing demographic distortion in terms of imbalances between gender and cohorts, many existing market oriented firms are forced to adjust to a declining local and regional demand. Even „soft“ public services and parts of the infrastructure face the same type of problems. There is no general model for these adjustments. Firstly, there is a difference between a private service firm and public service activities, which according to laws and decrees must provide all inhabitants across municipalities with basic „soft“ infrastructure in terms of, for example, child care, schools, health care and elderly care. Also police surveillance and fire brigade should be mentioned in this context. A private firm is always free to reconsider its location for various reasons. A reason for considering a relocation may be to meet competition from rivals, changed consumer

behaviour, or better possibilities to reduce production costs. Alternative spatial structures of public service supply depend on a much more complicated decision-making process. A basic difference is that all inhabitants may claim rights to service provision at a minimum quality level within a reasonable distance from home. This means that per capita cost aspects have to be put a bit in the back compared to quality and basic welfare aspects. This also means that the possible new solutions for the distribution of welfare services must be checked more thoroughly across traditional organisational limits. Thus, local administrations must consider collaboration across both sectors and administrative borders.

Planning aspects

Boekema et al. (2000) suggest an „open space“ character of policy and a planning approach to the addressed issues. The authors viewpoint is that the process rather than the achieved level should be considered. We may here also refer to the notion of localised learning or learning regions (cf. Maskell et al. 1998). An economically successful regional arena is characterized as a geographical space in which a broad range of local actors (individuals, firms, institutions and authorities) engage in mutual and/or interactive processes of exploring information, knowledge sources and earlier experiences. Naturally, the volume and diversity of local R&D capacity forms a basic potential for having and developing innovative capacity. However, the achieved status is no guarantee for successful learning processes. A most critical additional dimension in many cases is the character of the interplay between various key actors. Interest and motivations among economic actors for innovative actions are influenced by resources in the local community in terms of trust, openness, reciprocity and voluntarism (Doloreux 2002).

Policy making and planning at the local and regional level have a critical role in terms of intervention in market related processes having negative impacts on individuals and households in the community and creating barriers to immigration. However, the intervening role, with emphasis on openness for negotiations with various actors, is not easily carried out. Two principal policy making concepts may be identified – *laissez-faire* or strong spatial planning. With a *laissez faire* approach a rather slow speed is meant of gradual adjustment close to general practice since the 1980s. The spatial planning approach means a radical change into more concentrated and co-ordinated spatial structures of services and other basic welfare provision backed up by more concentrated economic growth initiatives. As mentioned earlier also this type of approach has been practised in Sweden with the central government in a dominating steering role.

The advantages with a slow and passive adjustment strategy are that individuals and households are given time to find ways to change their daily life and consumption pattern. It may also be regarded as an expression for a high welfare policy ambition – to provide people with basic infrastructure and services irre-

spective of geographical locations and local market conditions. A further argument is often also that individual or collective initiatives and actions may appear more frequently if policy-making has a non-restricted character. According to this view no location suggestion should be stopped or forced into a physical planning setting with a top down character. The main disadvantage with such a planning perspective in sparsely populated regional structures is, as illustrated above, the problem of achieving the long-term sustainable structural impacts. In most situations, available policy measures are neither meeting needs to achieve a critical mass of geographically concentrated and coordinated action, nor offering necessary time for subsidised firms to establish themselves in their market niches. A further disadvantage, creating special problems in case of a continuous depopulation process, is that per capita costs will reach very high levels. It also increases matching problems between supply and demand for labour, and supports increasingly vulnerable structures of service provision. A negative consequence may also occur in terms of low quality of provided services due to lack of competence.

An alternative strategy is to redesign sparsely populated territorial settings into more distinct polycentric functional arenas – or development corridors – as primary locations for growth initiatives and key services in accordance with the guiding principles in the EU-driven ESDP (European Spatial Development Perspective) work. As mentioned earlier, Sweden has some experience of a strong spatial planning profile. The new approach is that regional partnerships are forming the point of departures instead of the central government. However, this is also associated with advantages and disadvantages. Arguments for efforts to increase internal functionality and external linkages are often related to cost aspects but may also be regarded as a broader strategy of capacity-building for better sustainability of existing activities and in order to increase the region's attractiveness for venture capital and entrepreneurs. With more concerted and concentrated actions, investment costs can be cut and new benefit options may occur as a result of an extended local networking and market penetration. This can be realised by maintaining, and even strengthening, places regarded as attractive rural idylls. Such an alternative may thus attract quite new actors to take part in development strategies.

On the negative side we find the arguments mentioned above in terms of obstacles to entrepreneurial initiatives and choice of locations for business and permanent housing all over the existing settlement system. Further, it may be anticipated that current tendencies of depopulation and reduced social policy measures could become even stronger in locations outside the prioritised nodes and linking corridors with a distinct spatial policy of this type.

In conclusion it is obvious that a reorientation of policy and planning principles will have both positive and negative consequences. However, the empirical evidences discussed in the introductory part of the paper strongly supports the introduced ideas of a more distinct spatial planning profile in future regional

policy making. It is of vital importance for the sparsely populated northern Europe to elaborate a more powerful organisational framework, which may meet a broadened variety of growth concepts rooted in R&D as well as interests from national and international entrepreneurs and investors. An analysis of new ways to deal with sustainable regional development problems in three Swedish counties (Naturvårdsverket 2003) points at the potential for reorientation of perspectives and tangible strategies comprising communication and collaboration across sectoral and administrative borders. It is also stressed that the power of such approaches is greatly dependent on strongly engaged key actors and a distinct modern political leadership. Another lesson is that plenty of time must be devoted to the process of changing ingrained opinions on how to formulate and solve regional problems.

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