



Regional Enlargement

Lessons from medium sized cities in the Baltic Sea Region

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Region at a Glance

Front cover photo

Summer at Nyköping harbour. (Photo: City of Nyköping)

Many of the cities participating in the MECIBS project have demographic as well as labour market problems. Low birth rates and out-migration – especially of younger people – have in many cases resulted in a population decrease and a lop-sided age structure. Some of the cities are located close to each other, while others are more isolated. Some of the cities are also more or less integrated in larger local labour markets – often metropolitan ones – while the opposite is valid for small cities far away from larger population agglomerations. This has implications for the development and transformation of the involved cities especially with respect to investment, employment opportunities and settlement patterns.

In this brochure eight MECIBS cities with different preconditions concerning regional enlargement and its impact on future development are presented. This does not mean, however, that regional enlargement is not relevant for the other MECIBS cities – instead many of the characteristics regarding regional enlargement are applicable to these cities, too.

• Regional enlargement – what's that?

The theoretical approach concerning the effects of regional enlargement is based on labour market segmentation where different labour force categories are supplied and demanded in different quantities. This means that small local labour markets offer fewer job opportunities than larger ones. In order to eliminate – or at least minimise – the mismatch in the labour market, regional enlargement in the form of larger functional labour markets is one possible solution. This implies more commuting on the one hand and »new« settlement patterns on the other. In the industrial society, closeness to work places was of utmost importance but in the post-industrial society this connection has decreased in value. This also means that housing amenities and good living conditions have grown in significance for consequences for the settlement patterns.

Another consequence is that employment opportunities within municipalities and smaller cities have lost importance, especially within larger local labour markets. Instead, the attraction of cities or municipalities as resi-

dential areas has grown in importance and especially amongst well-educated people with high incomes. It should be recognised that it is not population size itself that is most imperative with respect to development, transformation and economic well-being. Instead, it is more and more the »right« kind of people that generate an image with new prerequisites for transformation and endogenous growth as a consequence – the post-industrial investment and localisation pattern is quite different from the industrial one. It should, however, be kept in mind that preconditions for regional enlargement and endogenous growth differ as a consequence of the localisation and accessibility to larger local labour markets.

• From cities and municipalities to local labour markets

It is obvious that the concepts of functional regions and local labour markets are becoming more frequent in and relevant to the discussion of regional development, and that the urban and rural dualism is becoming increasingly insignificant in many aspects. The urban-rural dualism is a reminiscence from the industrial society, and of course still valid between differing regions where distance is of great importance. As local labour markets expand, the rural parts within a local labour market will be gradually more dependent on and interconnected with the development and transformation in urban areas. This has also been accentuated during the past decades as a consequence of deindustrialisation and renewal in some old factory towns. Changes to the urban hierarchy have also had effects on the rural areas in Europe, including the MECIBS-countries, where rural areas in the neighbourhood of expansive metropolitan areas have grown. These counter-urbanisation tendencies have also been obvious in many other parts of Europe.

The municipality level is, thus, not the best unit for analysis of migratory movements – both migration and commuting – with regards to labour market conditions and settlement patterns. Instead, functional local labour markets have been created, and the municipalities can be the point of departure in the creation of these local labour markets.

The regional enlargement process is thus obvious. There are, however, different gender patterns related to commuting and local labour markets. Men are working in larger local labour markets than women and it is also a well-known fact that highly educated people are working in larger labour markets than less educated people.

The regional enlargement process also de-

velops with regard to the economic fluctuations. Commuting increases during good times and stagnates during bad times. This is much an effect of the changing labour demand and supply. If there are no jobs to commute to it is better to stay at home.

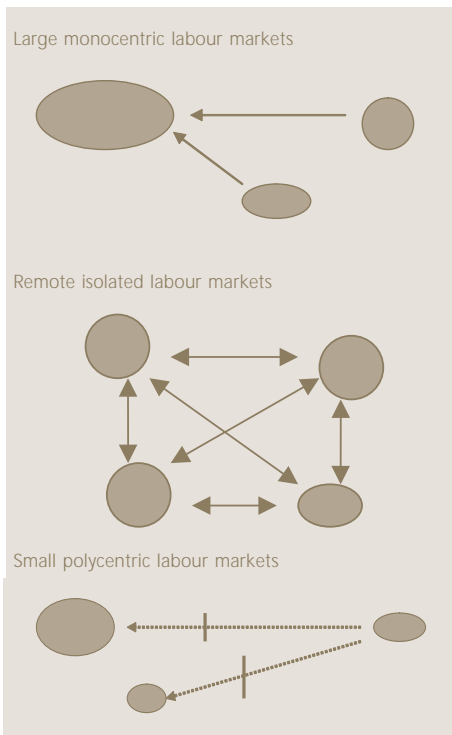
• Different locations – different preconditions

Small and medium-sized cities vary considerably with respect to development preconditions within the MECIBS-area as well as within the individual countries. When considering remoteness and population density, and links to the national economy and regional centres, three kinds of cities can be distinguished – all applicable to the MECIBS territorial structure as well as to polycentric or monocentric development.

The first is *cities just outside big cities*. These cities are integrated in the economy and labour market of the big cities, and have to a greater extent been integrated in the economic and spatial development of associated big city regions. These small and medium-sized cities have often been characterised by population growth as – among other things – a consequence of in-migration and decentralisation of the settlement pattern. Especially families with children and middle-aged people have settled down in these cities with relatively large rural surroundings but with good transport connections to the more dynamic centres. This can be seen as a typical consequence of the integration of small and medium-sized cities in a monocentric development.

It should, however, be kept in mind that this decentralisation of the settlement pattern is not a new suburbanisation like the changed residence pattern of the 1970s. This was characterised more by suburbanisation than expansion of »old« small and medium-sized cities in a transformation process from the industrial phase to the post-industrial one. This also means that focus rests on different strategies. Today attractive housing conditions are a pull factor in itself – suburbanisation was much an effect of housing shortage that resulted in the growth of small villages on the outskirts of the cities.

The second type of city is *small and medium-sized cities with some distance – too long for daily commuting – to big city areas* but with relatively good transport connections to them. These cities – also with rural surroundings – are not dependent on the economic development in the big urban centres. As a consequence of good transport links, they have been increasingly involved in the local labour markets of the small and medium-sized regio-



Regional enlargement: A preliminary typology with regard to the MECIBS area.

nal urban centres. These relatively densely populated communities are noticeable ingredients in the urban-rural structure in the MECIBS-area. Such small and medium-sized cities with their rural surroundings can be seen as – and included in – small polycentric structures.

Despite their polycentric characteristics most of them are, nevertheless, experiencing out-migration from local labour markets. It is not distance that is the problem here – rather it is the weak diversification of the local and regional economies that hamper renewal and transformation. These cities are additionally not new ones – instead they have often been small regional or local centres. Many of them are still in the industrial phase and dominated by a few big companies.

The third city category is *remote and isolated cities in the periphery*. These cities are characterised by out-migration, ageing, low-skilled labour force and – of course – long distances and weak connections to the rest of the economy. The economy is of a dual character compared to the national economy and especially with respect to the dynamic metropolitan areas. Local labour markets are spatially large but with few inhabitants, often consisting of only one municipality with a »shaky« and undiversified economic structure and dominated by one or two big companies – the the location factor was e.g. some type of raw material or the »place factor«.

One of the consequences of the very long distances to built-up areas and small regional

centres is that the preconditions for a polycentric development are nonexistent. The possibilities concerning a self-generated endogenous growth are also missing and many of these remote areas are very dependent on the official transfer system to survive. A polycentric community structure concerning these cities is thus more or less lacking. These cities – with large rural surroundings – have also experienced a negative population development for a long time.

The figure overleaf illustrates the cases discussed above in a schematic way – cases that are all relevant with regard to various MECIBS-cities.

• Different types of local labour markets – a schematic presentation

The figure shows in a schematic way, the different preconditions related to regional enlargement and a polycentric development. From other studies, it is known that the MECIBS-area has experienced a more monocentric, rather than polycentric development. Before discussing the different MECIBS-cities and city regions the different characteristics of development preconditions are summarised in the table below from a functional local labour market point of view.

• Large monocentric local labour markets

Four MECIBS-cities are included in the table below as included in large monocentric labour markets. Of these, the city of Randers is perhaps the one that is involved in some form of polycentric development despite the dominance of Aarhus – the second largest city in Denmark. The labour force in Randers has an educational level below that in Aarhus county. This also indicates that in-commuting is a precondition for the more knowledge-based companies – 50 percent of the engineers are living outside Randers. This also means that in-commuting is larger than out-commuting.

In order to get rid of this problem one solution is to create attractive living conditions where new housing areas are a major strategy. Randers has the image of an industrial city with a lot of blue-collar workers as inhabitants. Also, Randers obtained an image as a violent city – a media phenomenon (?) – that has been a negative factor when recruiting new inhabitants. This is one of the reasons behind the housing policy. One option is to retain as many as possible of the young out-movers once they have completed their studies as possible. One effect of this will be a more attractive city for businesses, changing the unfavourable age structure. The Town Coun-

Large local markets	Small local labour markets	Remote and isolated labour markets
Densely populated	Relatively sparsely populated	Sparsely populated
Good accessibility	Short-distance accessibility	Low accessibility
Out-commuting	Balanced commuting	No commuting
Balanced net-migration	Out-migration	Out-migration
Families in-movers, youngsters out-movers	Youngsters out-movers	Youngsters out-movers
»Balanced« age structure	Lopsided age structure	Lopsided age structure
Dependent on the labour market in centre	Dependent of labour markets in surrounding cities	Dependent of its own resources/public sector
Diversified economy	Small and medium-sized industries	Raw-material based large industries
High educational level	Low educational level	Low educational level
Housing areas	Jobs are prioritised	Jobs are prioritised
Amenities, a pull-factor	Job shortage – a push factor	Job shortage – a push factor?
Good »matching« on the labour market	Labour market segmentation	Labour market segmentation – even regional »mismatch«
Post-industrial migration and settlement pattern	Still industrial migration and settlement pattern	Industrial migration and settlement patterns
Results:	Results:	Results:
Invulnerable to economic chocks chocks	Vulnerable to economic chocks	Very vulnerable to economic chocks
Integrated in a large and diversified LLM	Integrated in a small LLM	A labour market of its own
Positive population development	Stagnating/decreasing population	Population decrease
Monocentric regions	Small polycentric regions?	Links to metropolitan regions a solution?
Regional enlargement – already a fact	Regional enlargement – a solution?	Regional enlargement – no preconditions

cil also wants to stop the out-migration of families, which will also counteract the skewed age structure and change the image of the city.

The two Swedish MECIBS-cities *Norrköping* and *Nyköping* are integrated into the metropolitan labour market of Stockholm. This labour market is more monocentric than polycentric and out-commuting from both cities is large. This is especially true for Norrtälje where 7000 persons commute every day. Both cities can thus be characterised as housing areas where good living conditions and good communications are of utmost importance. Both municipalities are located on the Swedish East Coast and in the Archipelago which is an attractive location factor for families and elderly people.

Norrköping is the spatially largest municipality in the capital region, covering one third of the area in Stockholm County. As a consequence, Norrtälje has large rural areas which is also the case for Nyköping. Norrtälje consists of three built-up areas – Norrtälje, Hallstavik and Rimbo with their own labour markets. This is especially valid for Hallstavik, which is a traditional »factory town« dominated by a large paper mill with approx. 1000 employees, which implies that the Northern part has a different economic structure and character than the other parts. Commuting and out-migration from Hallstavik are also relatively low compared to the situation in the whole of Norrtälje municipality. Norrtälje is the regional centre for administration and has a large service sector. Rimbo is more a dormitory suburb where many people work at Arlanda Airport.

The spatial structure of Norrtälje means that the three built-up areas are not integrated in a common labour market. Distance is one hampering factor between these centres – instead people are commuting to Stockholm-Uppsala where the labour market is quite different than the labour market in Norrtälje.

Housing is a pull-factor with regard to in- and out-migration in Norrtälje. New housing areas are one way to reduce out-migration of young people and families. This strategy is based on a more accentuated integration with the local labour market in the Stockholm-Uppsala region. Many middle-aged and elderly people have also become permanent inhabitants in their summerhouses. The in-migration structure stimulates the population increase but accentuates the already skewed age structure. This will be an increasing problem in the future as it creates greater needs concerning both elderly and medical care.

Nyköping is a city that consequently has prioritised amenities and good housing as location factors regarding the recruitment of

Housing area at the waterfront in Nyköping (Brandholmen). Nyköping is integrated in the large local labour market of the Stockholm region and has concentrated its development strategy according to the post-industrial migration and settlement pattern. This picture is a typical result of this strategy with attractive houses near the water in very nice surroundings with the aim to stimulate in-migration and hamper out-migration of families and highly educated people.

new inhabitants. Its coastal position 100 km south of Stockholm has resulted in a population increase and in-migration even if deaths have exceeded births – at least around the turn of the century. The age structure is skewed with a high share of elderly people as a consequence of the out-migration of youngsters to the Stockholm region.

The commuting pattern is oriented to the Stockholm region but even commuting to Norrköping-Linköping, mostly by train, is relatively large. The commuting across the county, however, occurs by car. Nyköping is thus more integrated with the local labour market in the Stockholm region than with other parts of the county despite the neighbouring city of Oxelösund. The latter is included in the local labour market of Nyköping where capital investments in the steel work have diminished the demand for labour during the last years. Nyköping is, thus, a good illustration with regard to the post-industrial migration and settlement patterns where jobs and residences are separated with regional enlargement as one result.

Jüterbog is located close to a metropolitan local labour market. Although it takes around one hour by train to travel from Jüterbog to Berlin, Jüterbog is not really integrated in the metropolitan labour market. The commuting pattern is characterised more by short-distance commuting – e.g. to Luckenwalde – than long-distance commuting. This partly reflects the relocation of the county administration to Luckenwalde in 1997, more than other labour market reasons. With respect to long-distance commuting, Jüterbog has a negative balance to other regions. Many of these weekend commuters are potential out-movers and – if nothing happens – will leave Jüterbog for labour market reasons. This is a typical symptom of an industrial and settlement migration pattern where job opportunities have high priority with regard to the settlement choice.

• Cities between two large local labour markets

Salo is located between two large local labour markets – Helsinki and Turku – but is a



labour market of its own. Salo has experienced a population increase during the recent years. The driving force behind this development is the mobile telephone industry, especially Nokia. This also indicates that the city is vulnerable with respect to shifting demand on the world market. Even if Salo is a labour market of its own the industry is dependent on in-commuting from other cities of specialists within the electronic field. This means that Salo is integrated – at least to some part – with the labour market in Helsinki and Turku concerning highly educated people.

Kuldiga is located in the triangle Riga-Ventspils-Liepaja. The only nearest larger local labour market that is within realistic commuting distance is the labour market of Ventspils. During the 1990s, Kuldiga experienced a population decrease as a consequence of low birth rates and out-migration of younger people to the larger cities. The economic structure is characterised by small and medium-sized enterprises and the dominant factories operate in the fields of wood, food and textiles.

Even if the distance to Ventspils is around 40 km it is too far away to be integrated in a functional local labour market with Kuldiga. Around 5 percent are out-commuters and they are often specialists that live in Kuldiga but work elsewhere. The inhabitants in Kuldiga have a relatively low education level and there is a negative selection with regard to migratory movements – highly educated move out and low educated move in.

The strategies for Kuldiga are not to be integrated in the larger local labour markets of Riga, Ventspils or Liepaja. Instead, one strategy is to attract people according to Kuldiga's

image as a small town with low costs of living, cultural activities and better accessibility to other cities. This should perhaps result in some in-migration of families and entrepreneurs that could develop the small local economy and a labour market more or less independent of the larger ones in Riga and Liepaja.

• Remote labour markets

Lappeenranta is localised close to the Russian border and is the regional centre in South Karelia. The city has experienced a population growth during the last decade, the opposite situation compared to other cities in South Karelia. As in most of the other MECIBS-cities, the ageing process and high share of elderly people will also hit *Lappeenranta* in the future.

The migration pattern of South Karelia is directed towards Helsinki or *Lappeenranta*. The regional dominance of *Lappeenranta* has thus, been accentuated during the last decade. People who have problems to get a foothold on the labour market move closer to Helsinki – it is often people with low education who have problems on the labour market. So even if there should be tendencies to create a polycentric urban structure in South Karelia, the dominance of *Lappeenranta* works in a more monocentric direction.

Many of the in-movers are students at LUT – *Lappeenranta University of Technology* – and relatively many of these students stay in the region after education. This is probably a function of the fact that *Lappeenranta* is the centre for a forest cluster in Finland and perhaps even, on front line worldwide. One consequence of this is that the educational level among the employees is high, which

accentuates the image of *Lappeenranta* as a knowledge-based industrial city.

Another category of in-movers is people from the surrounding cities that can be characterised as settlement areas. When the children leave home many of the parents move to the city to avoid commuting and to gain better access to service facilities in the city. It should be kept in mind that *Lappeenranta*'s localisation by Lake Saima is a pull-factor with regard to migration and settlement patterns. Even if *Lappeenranta* is dominated by a few big companies and can be characterised as a typical industrial town the migration and settlement patterns are in many cases not industrial but post-industrial, even if work places and housing are located close to each other.

Sillamäe is located in Ida-Viru county – the most industrialised region in Estonia – and the centre for oil-shale production. *Sillamäe* can also be characterised as a typical industrial town. The biggest company is *Silmet AS* with approx. 700 employees producing rare earth metals.

Even if distance to the county capital, *Johvi*, and the city of *Narva* at the Russian border is short it is not correct to talk about a process of regional enlargement. The majority of the inhabitants are Russian speaking and the share of ethnic Estonians in *Sillamäe* is only 3 per cent.

As a consequence of the breakdown of the »Iron Curtain«, the population decreased sharply in *Sillamäe*. Even employment opportunities dropped drastically during the first part of the 1990s and this is not a good precondition for regional enlargement. Instead, out-migration increased and especially people with higher education had – and still have –

difficulties to find relevant jobs in *Sillamäe*. This has resulted in a lopsided age structure that has been accentuated by low fertility rates.

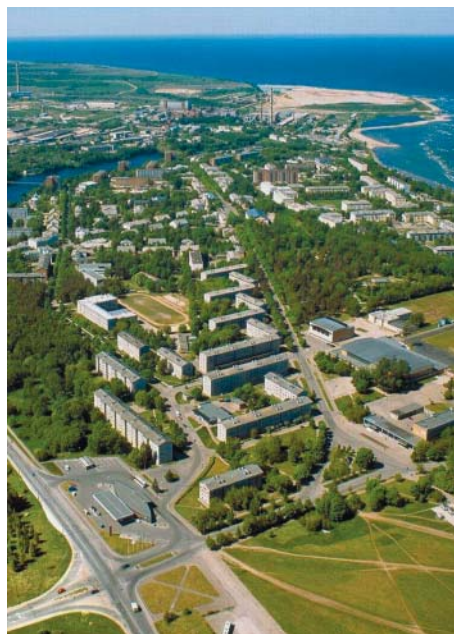
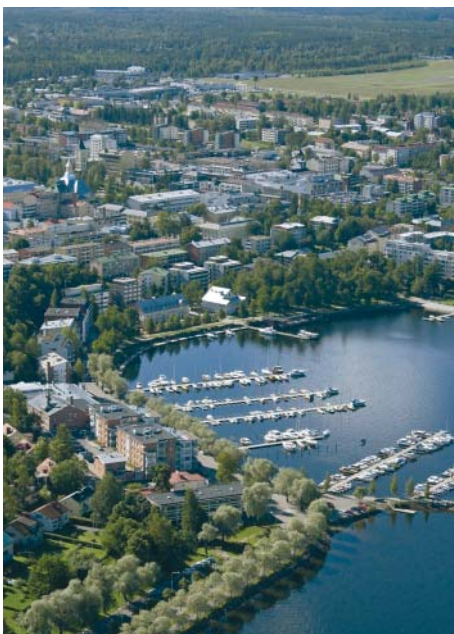
If regional enlargement is to be a way out of the population crisis of *Sillamäe*, and of the labour market problems, the complementarities between the cities in the region must be developed. One precondition is increased commuting; another higher educational level among the »stayers« or that out-migration of highly educated people will be reversed. Otherwise there is a risk that the vicious circle from the 1990s will continue and even become accentuated. The new harbour, the free zone and the short distance to Russia can in this case be an advantage in order to redirect the development path.

• Regional enlargement in the MECIBS-area – a summing-up

In the MECIBS-area all categories mentioned above are represented. In the table below some cities are mentioned according to their position in the local labour market structure and their strategies with regard to development and transformation.

A common factor for all cities is ageing which is a function of low birth rates and out-migration of youngsters. In some cases this is even accentuated by the in-migration of elderly people. Despite this in-migration, the low birth rates and out-migration of younger people means that some of the cities have also experienced a population decrease during the last 10 years.

It must be kept in mind that the following table is more an effort to characterise the different cities with regard to regional enlargement than the absolute truth.



Lappeenranta is an industrial town but as a consequence of its location, the settlement pattern is more post-industrial than industrial today. Attractive housing areas near the water are a pull-factor with regard to in-migration both from South Karelia and other parts of Finland. (Left)

Sillamäe is an old industrial city dominated by the raw-material based industries. The new harbour will perhaps change the precondition with regard to the future development. (Right)

Cities	Type of labour market	Development and strategies
Norrköping	Integrated in a large local monocentric labour market	Population increase Three built-up areas Residence area In-migration of elderly people
Nyköping	Integrated in a large local monocentric labour market	Population increase Housing conditions Family in-migration Commuting
Randers	Integrated in a large local monocentric labour market	Stagnant population Housing conditions Changing image Family in-migration Commuting
Jüterbog	Close to a large monocentric local labour market	Housing reconstruction Get rid of the unused houses and flats Stimulate in-commuting
Salo	Localised between two large local labour markets, but a labour market of its own	Dependent on Nokia Lack of highly educated workers In-commuting In-migration of elderly people
Kuldiga	Small local labour market	Population decrease Out-migration (youngsters) to larger cities Small enterprises Cultural heritage – an image
Lappeenranta	Remote (polycentric) labour market close to the Russian border	Population growth Industrial city – forest cluster Services and trade to Russia »Centre of excellence«
Sillamäe	Remote labour market close to the Russian border	Population decrease Raw-material based industries Free zone

• Options and recommendations

Large monocentric local labour markets:

- Support the image of housing and settlement areas
- Amenities – a pull-factor
- Stimulate small and medium-sized enterprises
- Accentuate the role as service centre
- Flexibility – a keyword

Cities between two large local labour markets:

- Support the image of housing and settlement areas
- Stimulate small and medium-sized enterprises
- Diversify the economic structure
- Decrease the vulnerability of big companies
- Hamper eventual out-migration to the large cities
- Stimulate regional enlargement

Remote labour markets:

- Diversify the economic structure
- Decrease the vulnerability of big companies
- Stimulate small and medium-sized enterprises
- Stimulate preconditions for endogenous growth
- A better population structure
- Stimulate in-migration and new ideas

MECIBS

This folder summarizes the findings of a case study carried out as part of the Interreg IIIB project *Medium Sized Cities in Dialogue Around the Baltic Sea (MECIBS)*.

Financing: The partners and EU (Interreg IIIB, Baltic Sea Programme). Supplementary funding obtained from the Danish Ministry of Foreign Affairs (Baltic Sea Facility) and the Danish Organisation for International Co-operation.

Aim: Within the overall objective to foster balanced spatial development by sustaining the development of medium sized cities the project aims at: (1) understanding urban restructuring based on comparative and concrete examples, (2) forming recommendations for the interplay between local and national strategies based upon a bottom up process, (3) forming recommendations within an integrated perspective on economic, environmental and social development and (4) forming a network of medium sized cities to facilitate exchange of experiences and mutual learning.

MECIBS partners: GERMANY: Leibniz-Institute for Regional Development and Structural Planning; DENMARK: Municipalities of Randers and Nakskov; Chamber of Commerce and Industry Herning-Ikast-Brande; Centre for Forest, Landscape and Planning, KVL (lead partner); Dep. of Marketing, Southern Denmark University; Dep. of Geography, University of Copenhagen; SWEDEN: Municipality of Nyköping; Dep. of Regional Planning, Royal Institute of Technology; FINLAND: Municipalities of Salo, Kokkola and Lappeenranta; Centre for Urban and Regional Studies, Helsinki University of Technology; NORDIC COUNTRIES: Nordic Centre for Spatial Development, Nordregio, Stockholm;

Associated partners: GERMANY: Municipality of Jüterbog, SWEDEN: Municipality of Norrtälje; RUSSIA: Municipality of Vyborg Region, Municipalities of Kronstadt and Pskov; Leontief Centre, Sct. Petersburg; ESTONIA: Municipality of Sillamäe; Public Science Academy; LATVIA: Municipalities of Valka, Kuldiga and Bauska; Department of Geography, University of Latvia, Riga; POLAND: Municipality of Chojnice; University of Gdansk.

More information: www.MECIBS.dk



Medium Sized Cities in Dialogue
around the Baltic Sea

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ISBN 87-7903-223-0



European Commission
Structural Funds