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Support for local initiatives in marginal areas

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SUPPORT FOR LOCAL INITIATIVES IN MARGINAL AREAS

An evaluation of the rural programme in Sweden's Objective
6 Region

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The Policy Issue

Partnership and decentralisation are designed to ensure that the public have a say in policy implementation and symbolise a people's Europe. They will enable local authorities, environmental agencies, social partners and non-governmental organisations among others to make themselves heard more clearly.

As part of the process of decentralisation, the partnership system is the key to bringing policy closer to the people and greater involvement and responsibility at local level.

However, this new approach, which also involves strengthening the instruments for global grants for independent projects on local development and local employment initiatives, does not meet with the unreserved approval of all Member States.

*Monika Wulf-Mathies, Member of the European Commission, "Reform of Community structural policy and the remote regions" .
Speech to the General Assembly of the Conference of the Peripheral and Maritime Regions of Europe Lisbon, 18 June 1998*

Development Programme for Marginal Regions in Sweden

Objective 6 Sweden covers half of the country's land area with 20 percent of the country's population. The programme for the period 1995-99 contains a wide range of measures to stimulate economic growth and employment in this large region. The Single Programming Documents (SPD) cover four measures which are especially designed for rural areas, ie outside urban centres and small towns. These concern IT, measures within tourism, culture and local services, competence upgrading and, finally, local development.

Measure 2.3 concerns *IT-technology* and infrastructure. The projects concern physical communication networks for local services and connections with national and international nets. There are also pilot projects to maximize use of communication networks between private firms, education and research institutions, and public-sector agencies. The main purpose is to promote commercial use of IT. However, projects favouring school centres are also given priority and one objective of the measure is to have every rural school connected to internet by the end of the programme period. The total budget for five years, including EU and national funding, is 30 MECU.

Measure 4.1 concerns *tourism, culture and local services*. Measures concentrate on local initiatives to promote tourism based on local natural and cultural resources. Global grants are favoured, i.e. framework programmes for funding of small projects administrated by local government. Budget: 28 MECU.

Measure 4.2 is directed at *competence and education*. Projects concern activities to increase the competence of the labour force in rural areas, focusing especially on the needs of women and young people. This includes counselling activities to stimulate co-operatives and “micro firms”. Total budget: 20 MECU.

Measure 4.5 *Local development* aims at stimulating a wide range of local activities. This includes support for networking between small business, local development groups, and counselling. Budget: 17 MECU

In summary, the programme for marginal areas in Objective 6 Sweden is largely based on decentralised measures and a bottom-up perspective. The municipality and the regional authorities have roles to play as connection links. The local culture, based on its historical traditions, and local initiative are consequently considered as forming the basis for a new phase of development. It is expected that tourism, IT, and associated new industries will develop commercially and lead to increased employment. The programme focuses on competence in a broad sense as an important factor in the economic and social renewal of rural Sweden.

Substantial resources from EU's Structural Funds and national funds are oriented to the rural programme – in total 95 MECU.

The programme for marginal rural regions in Sweden has been evaluated by Nordregio in the spring of 1999, i.e. at the beginning of the final year of the programme implementation¹. The study was commissioned by the National Board for Industry and Technology (NUTEK). One implicit question is whether the “generous” support to local groups and projects has had more than marginal effects in counteracting the ongoing decrease in labour demand and population in most of the rural municipalities in Northern Sweden's Interior, NEI.

CRISIS IN NORTHERN SWEDEN'S INTERIOR

In the Single Programming Documents for Objective 6 Sweden 1995, the *options* for the Northern Interior are described in the following way: The rich natural resources provide options also for the future. The attractive and unspoiled natural environment provides possibilities for further growth in the tourist industry. Further processing of the forests can create additional employment. Water resources, ore and minerals provide other options. Active local initiatives can contribute to create growth.

¹ Persson, L.O., Berglund, A-K & Sigurdsson, T., 1999. Effekter av stödet till lands- och glesbygden i norra Sverige. Utvärdering av åtgärder in om Mål 6 Sverige. NUTEK (forthcoming)

Three approaching *threats* against the region's economic and social development are also mentioned in the programme document for the period 1995-99. The first is the threat of continuous population decline as a result of the age structure and the lack of employment opportunities. The second is uncertainty regarding future developments in the public sector, which the region is currently very dependent on. The third is the risk of social problems due to increasing long-term unemployment.

Now, as the programme is approaching its conclusion, it is obvious that most rural municipalities within Objective 6 have experienced continuing problems with decreasing population and decline in labour demand. In all the 36 municipalities in Objective 6, the population decreased between 1994 and 1998. In 13 municipalities population decreased by more than 5 percent during this period (Figure B1). The age structure of the remaining population varies between municipalities. This is described by the "demographic dependency quotient", i.e. the number of inhabitants of economically active age as compared to the number of children and retired people. There are rural municipalities where these groups are equal in size, which means that the "burden" for the economically active groups is comparatively heavy. But there are also municipalities – particularly the municipalities with large urban centres – where the economically active population is more than 40 percent larger than the non-active group. The conclusion is that the demographic structure is quite varied within the region (B2).

In all municipalities except one the total number of children and youngsters decreased during the period. In 11 municipalities the number of inhabitants under the age of 20 decreased by more than eight percent (B3). Also, in all municipalities except one, the number of inhabitants decreased in the most mobile age group 20-24 years. In six municipalities, this group decreased by more than 25 percent (B4). The age group 25-64 decreased in number in all municipalities but three. Two of these latter municipalities are within the local labour market area of Östersund, with the largest urban centre of the interior of Sweden. In six municipalities the number of inhabitants in economically active ages decreased by more than five percent (B5). In two-thirds of the municipalities the number of elderly retired residents (> 65 years) decreased. This reveals that the continuously increasing number of elderly people witnessed in the past two decades in most parts of the Northern Interior has started to stagnate due to deaths in the highest age groups. In two municipalities, which are in a contrasting demographic phase, the number of elderly people increased by more than five percent. This concerns municipalities in the mining fields in the northernmost part of the country.

In all these 36 municipalities, the proportion of women relative to men in the age group 20-44 years is less than 50 percent. In ten municipalities the proportion of women is less than 46 percent. In almost all municipalities with a low proportion of women, the share of women also decreased during the period. In contrast, the proportion of women increased in eight municipalities. (B7)

The annual gross in-migration for the entire Swedish population varies between municipalities, ranging from two percent to almost seven percent. In 22 municipalities, in-migration is less than three percent. In 22 municipalities the in-migration rate decreased from 1994 to 1998, while there was an increase in ten municipalities (B8). Gross out-migration varies as much as in-migration, from three percent to eight percent. In 19 municipalities out-migration increased, while the opposite occurred in 12 municipalities (B9). Net migration is fairly dramatic in a handful of municipalities, especially as the net migration is accumulated over a period of time. In four municipalities net out-migration during a

five-year period cumulates to one out of 20 inhabitants. However, there are also a handful of municipalities where net migration is balanced (B10).

Differences in income options are reflected in the variable “income taxation basis”. The taxation basis is calculated as the taxable income divided by 100. In some economically weak municipalities the tax basis is 800 SEK per inhabitant (i.e. reflecting an average income of 80 000 SEK), while particularly municipalities with larger urban centres have a corresponding basis of 1000 SEK. The ranking order according to this variable between municipalities is notable over time (B11). This reflects that the economic basis in the different municipalities has changed little if at all during such a 4-5-year period. This is also an important factor in evaluation of the effects of EU-programmes, which also take place over a 4-5-year period.

Employment in the public sector varies from as little as 30 percent to as much as 45 percent of the total labour market (B12). In as many as 30 of the municipalities, the proportion of public sector employment is greater than in the country as a whole. In all but a few municipalities, employment in the public sector has decreased over time. The proportion of the labour force active in the private service sector varies even more between municipalities, from only 20 percent to almost 45 percent. Only three municipalities in the interior of Northern Sweden are above the national average in their share of employment in private services. In most industries within the private service sector, employment has grown less than in the corresponding industries in Sweden as a whole (Table 1). Also within those sectors oriented towards tourism – hotels, restaurants, recreation and culture – most municipalities in Objective 6 have had weaker growth than the national average. Employment in the manufacturing industry also varies between municipalities. However, it is evident that municipalities with a high proportion of manufacturing jobs in 1994 also are among those who have lost a proportional high number of such jobs. (B14)

The number of new firms per year in relation to the total number of inhabitants ranges from one new firm per year and per 100 inhabitants in some municipalities to three new firms per 100 inhabitants in others. These rates seem to be fairly stable over time, indicating that entrepreneurship is a partly local characteristic. In approx. half of the municipalities the rate of new firm formation increased during the period, while a decrease was reported in the other municipalities. Strangely enough, three municipalities had exactly the same rate of start-ups the two years studied (B15). Within the whole Objective 6 area, some 6 500 new start-ups are registered each year, an average of 1.5 new firms per 100 inhabitants.

In all municipalities, open unemployment increased continuously during the first three years of the 1990s, after which it has been stable. After 1995, unemployment increased again, in some municipalities rising as high as 15 percent in 1997. In 1998 unemployment decreased somewhat in several municipalities (B16-B19). In the county of Norrbotten we find those municipalities which have the highest unemployment figures in the Objective 6 area, as well as in the country as a whole, i.e. figures exceeding 20 percent. It should be observed that the high unemployment in large parts of Objective 6 remains in spite of the considerable decrease in the number of economically active persons resulting from out-migration.

In all municipalities except Östersund the proportion of people with post-secondary education is lower than in the country as a whole. In many municipalities, the level is only roughly half of the national average.

In summary, we have found that as the Objective 6 programme began to be implemented in the mid 90s, problems with negative population development and contracting labour market were accentuated in most municipalities. During the most recent time period all municipalities in Objective 6 have experienced population decline, all but one of them experiencing net out-migration. Out-migration among young women in particular has increased. We stress, however, that there is a wide variation between municipalities in this large region. Municipalities with a large urban centre are generally better-off in several respects. The gap in educational level between most rural municipalities and other parts of the country is large and tends to increase. After a steady increase in unemployment during the 90s, unemployment has recently decreased in some municipalities.

Consequences of EU's Programme for rural-regions

If calculated in terms of the number of projects or grants per inhabitant in different measures, the programme variation is large between municipalities. This is to some extent related to the level of "rurality", i.e. more rural municipalities have more projects than others. However, it is not possible to trace any connections between the location of projects and the areas where the problems seem most frequent or most pressing. There is a tendency for the most remote rural municipalities to have more projects than others. It is obvious that local priorities concerning rural development are reflected in the number of rural projects. In municipalities with active rural counselling we have noted a larger number of project applications.

The evaluation indicates that measurable employment effects originating from the measures concerning tourism, culture and services are very limited. This is particularly evident considering the steady decrease in labour demand in the region as a whole during the period. A very rough estimate indicates that, at the same time as one hundred persons of economically active age have left the local labour market in the region - either by out-migration or by becoming unemployed - the evaluated rural development programme has contributed to enabling about five persons to remain working or new jobs have been created. We estimate that not more than half of the programme's target objective concerning the number of new jobs has been realised.

It is noticeable that only a small number of projects create a large proportion of the new jobs. If we calculate the number of new or conserved work places the average total grant received amounts to several hundred thousand EURO. Most projects do not result in any new or conserved jobs at all. Interviews with project owners reveal that short-run employment effects have not been guiding the work in most projects. The global grants and the generous requirements for measures under the rural programme have made this possible since the argument is often that these rural measures are effective mainly in the long run.

The projects are in reality mainly support for local co-operation in order to maintain a "viable countryside", which also contributes to "future optimism", a belief in the future of the region in question, entrepreneurial self-confidence and more attractive housing conditions which at the end

widen the basis also for commercial activities. We assume that the very volume of resources in the programme and the wide variety of local projects will result in success for the programme, at least in some local areas. One important problem, however, is that this will probably demands continuing support programmes of similar types and size, since most of the local networks and groups are ultimately powered by the steady generation of new projects. We suggest that, for evaluation of upcoming rural programmes, indicators should be developed which account for the qualitative effects of programme activities. One way of doing this is by repeated opinion surveys among the rural population.

Evaluations of local groups point at the important role of entrepreneurs/initiators and volunteers in most successful cases. At the same time, it may pose a risk in the long run if individuals play a too-dominant role which may eventually hamper innovative thinking. In order to establish sustainable projects there is often a need for more formal organisation with democratic management. Our study reveals a wide variation among local projects. In some cases, local development covers a whole municipality, sometimes including neighbouring rural areas. In other cases the local development project is only dealing with a single village with a few households. "Development" is a concept with many different connotations – ranging from improving social cohesion in a village to direct support for commercial activity. The objective preconditions for efficient and successful local projects are competence, efficient organisation, time and resources. Many of the local groups have only vague objectives concerning the commercialisation of their work.

The large programmes for development of IT have made modern networks for infocom widely accessible in the interior of Northern Sweden. This has also an effect on the future optimism in remote villages. Most school centres in the NEI now have access to broad band infrastructure. The ITprogramme has, in addition, contributed to creating a large number of new jobs, both in call centres and IT firms. However, it is not possible to evaluate whether these IT projects in NEI would have been created if they had not been a part of the EU programme. It is very likely that the same infrastructure would have been constructed with other means of financing. However, we argue that in future rural programmes the need for continuous renewal and updating of the IT-infrastructure, which is so essential for remote areas, must be taken into consideration.

A number of small projects concern the upgrading of local commercial services. This means support for country shops, coffee houses, etc of importance for the functioning of viable rural areas, not least for an emerging tourist trade. The evaluation, however, has found few examples of new service concepts, which were expected in the Single Programming Documents. At the same time, we know that there are important service problems waiting for solutions. This concerns not least services provided by state-owned companies. We recommend that future programmes for rural regions in Sweden should consider these service problems.

The measures for improved competence in rural regions have been successful and resulted not only in increased educational activities but also a number of new jobs. Probably the most important consequence in the long run is the changing attitude towards education in rural regions. The competence-upgrading programme is also important for increases self-confidence, improved social competence and training in project management. We recommend that broad measures to improve

the activity-related competence of rural population should be an important priority for future programmes.

Figure 1. Population 1994-98 Objective 6 Municipalities . Percent

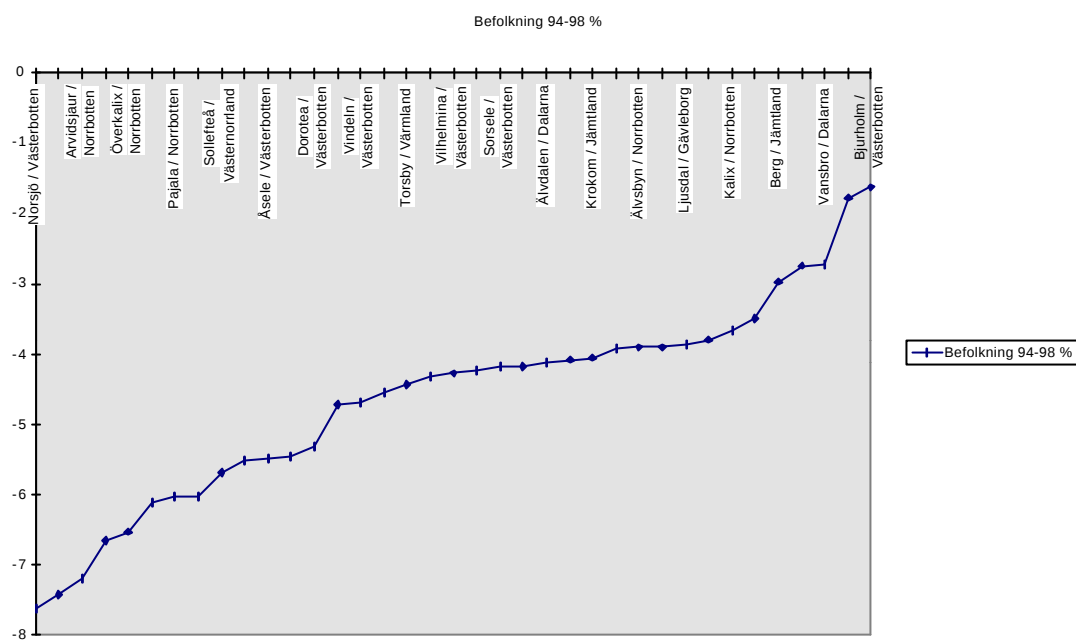


Figure 2. 20-64 years rel to total pop.

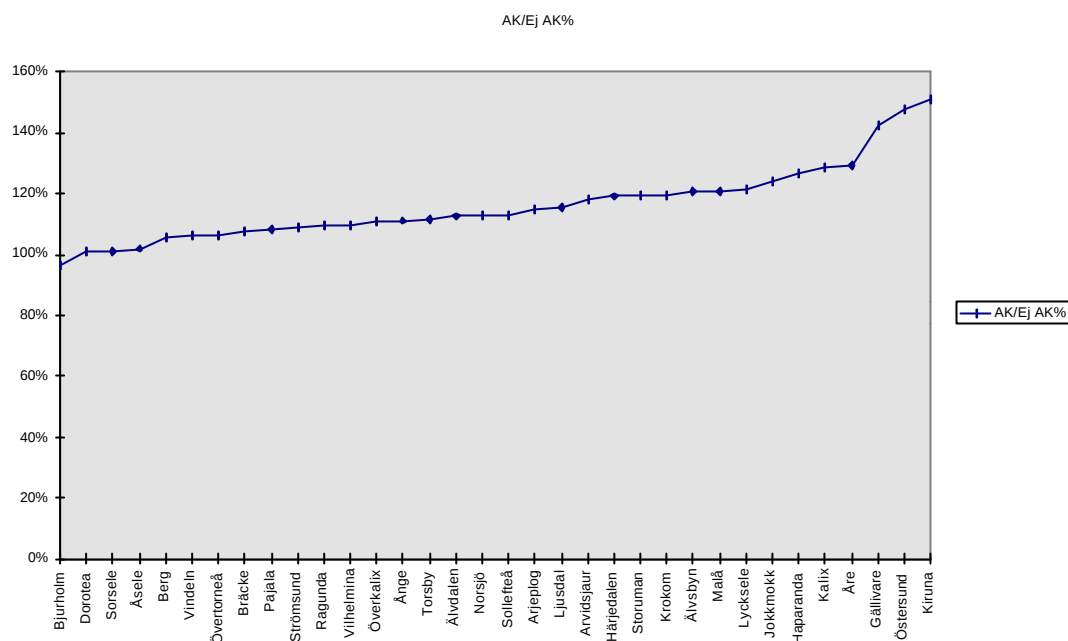


Figure 3. Change 0-19 years 1994-98. Percent.

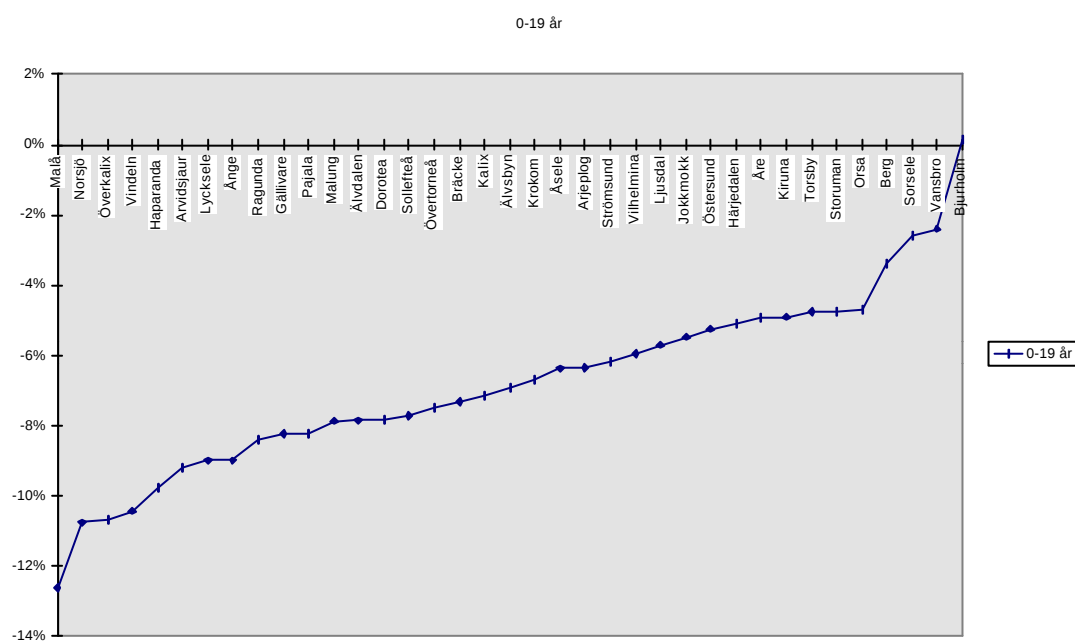


Figure 4. Change 20-24 years 1994-98. Percent.

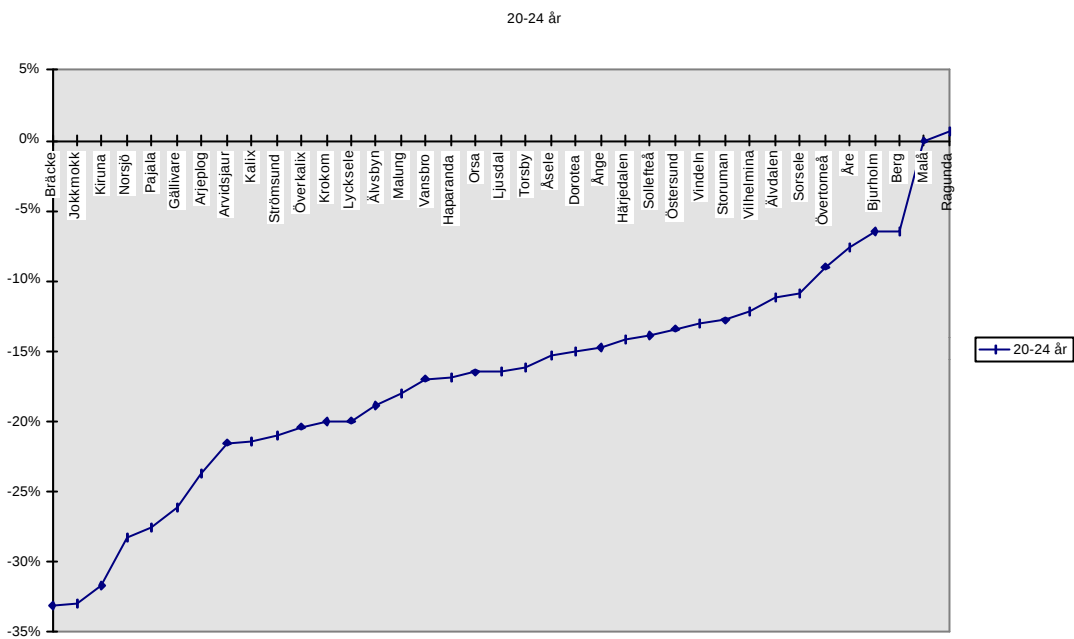


Figure 5. Change 25-64 years 1994-98. Percent.

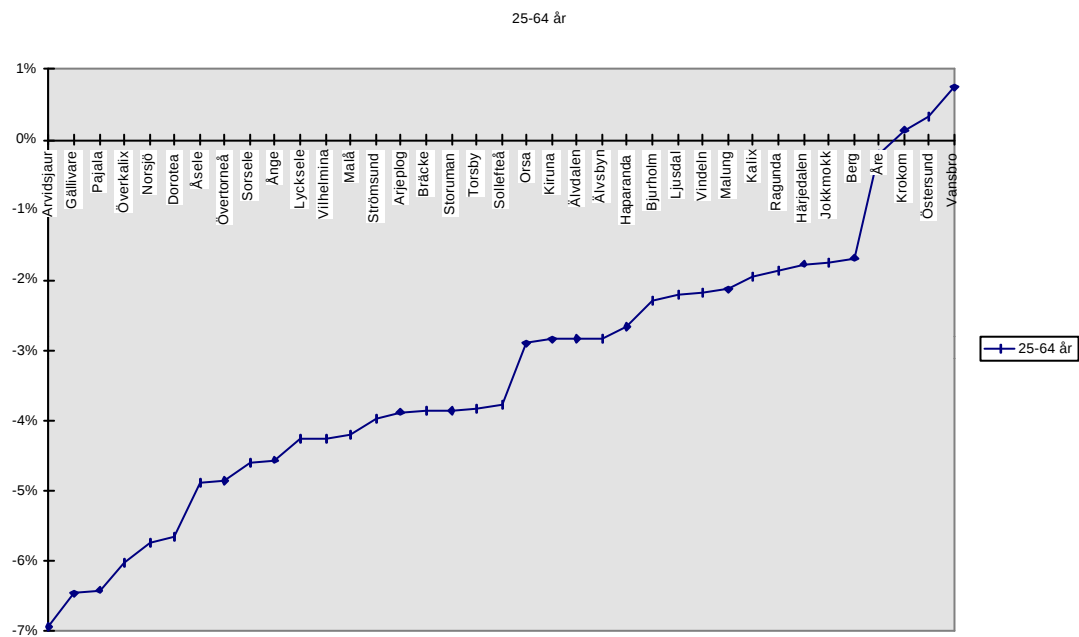


Figure 6. Change 65- years 1994-98. Percent.

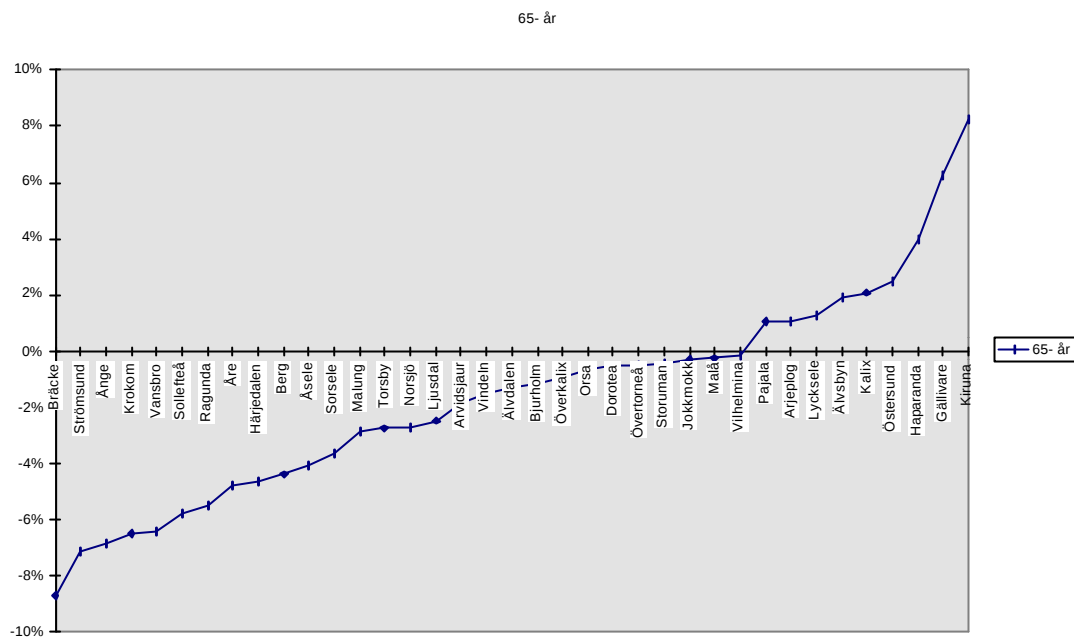


Figure 7. Females rel total 20-44 years. 1998 and. 1994. Procent

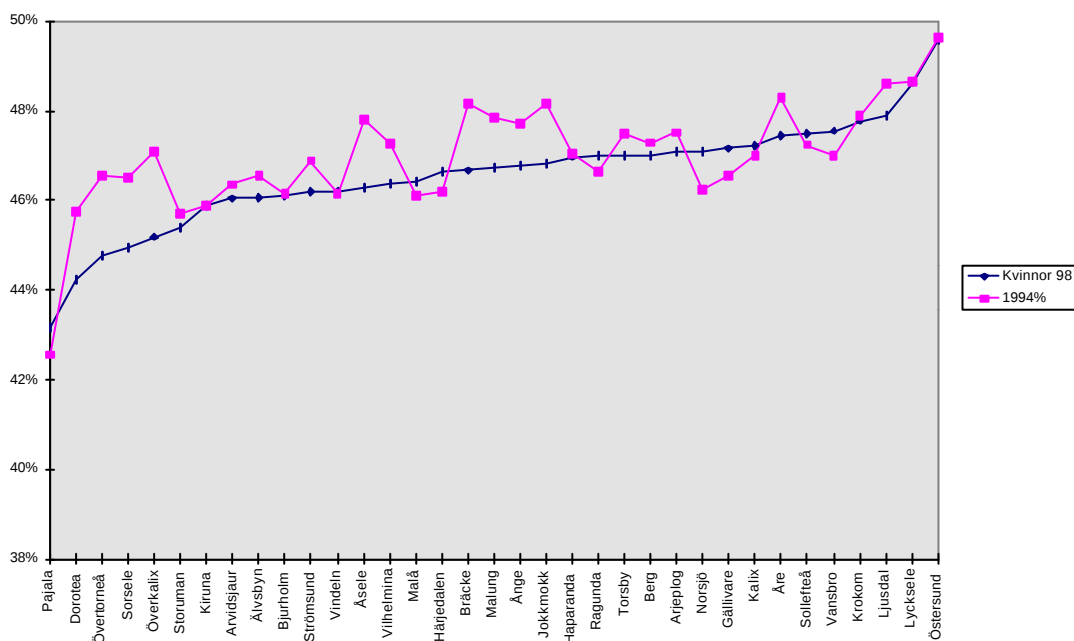


Figure 8. In-migration 1994 och 1998 in % of total pop..

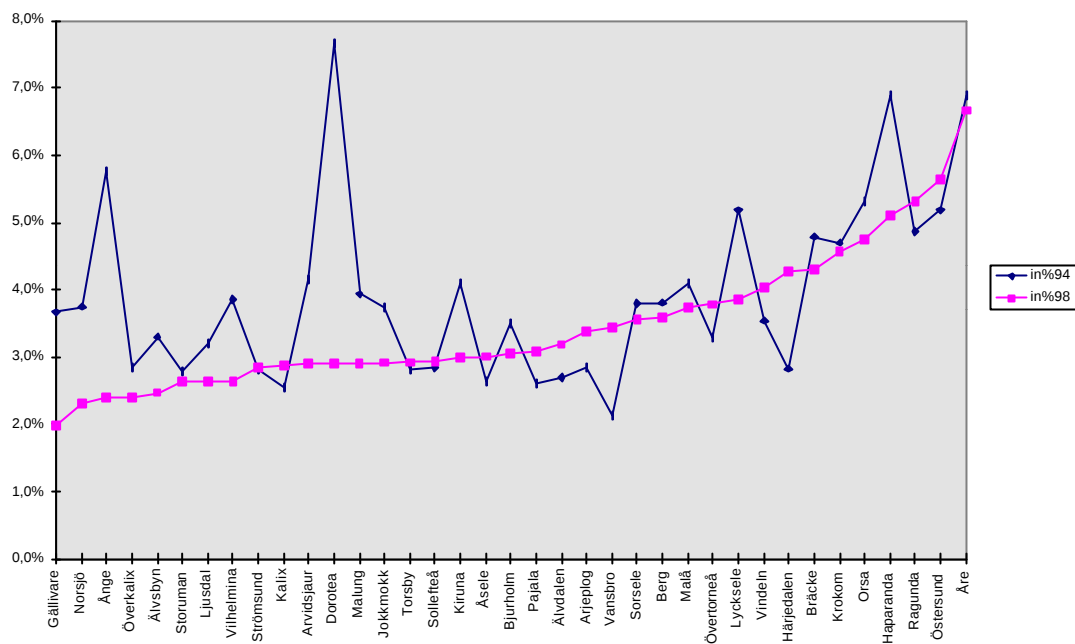


Figure 9. Out-migration 1994 and 1998 in % of total pop..

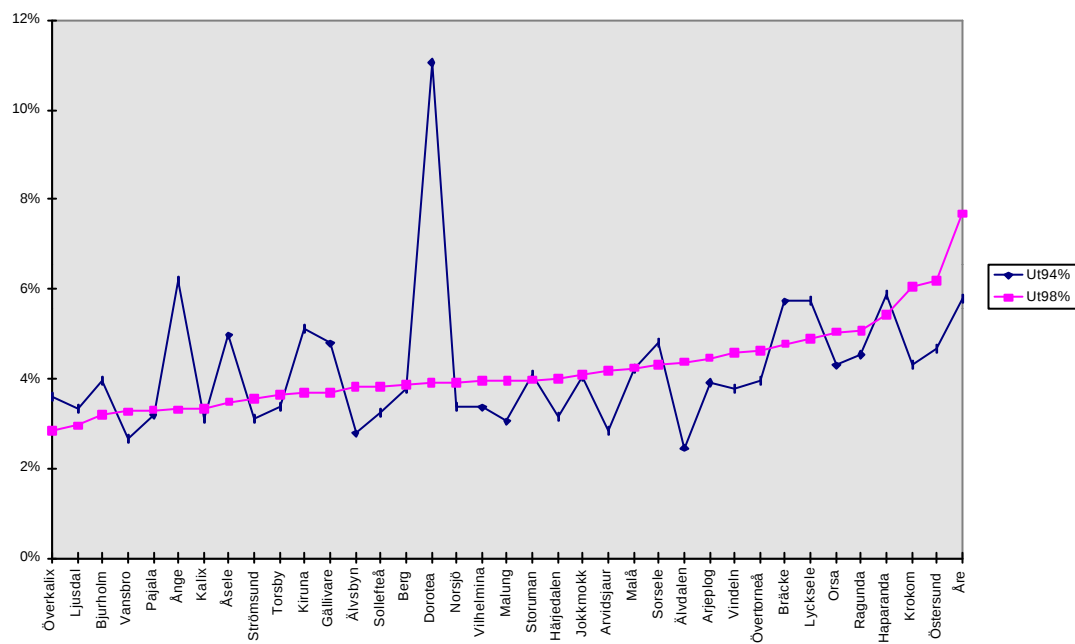


Figure 10. Net migration 1994-98 cumulated.. % of total pop 1994.

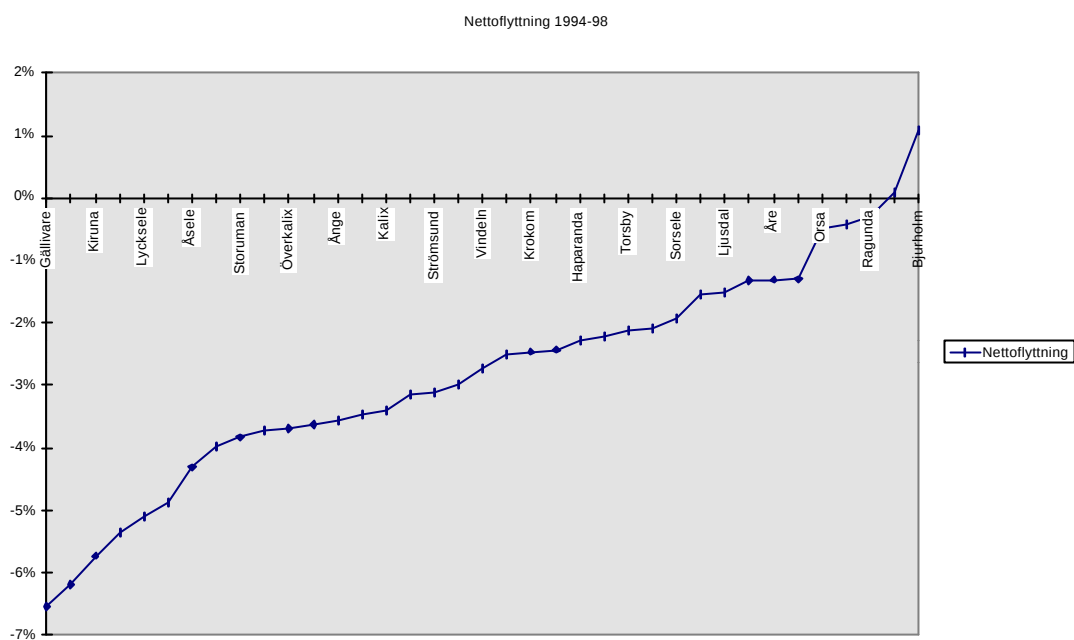


Figure 11. Taxation basis (skattekrön) per capita 1994 and

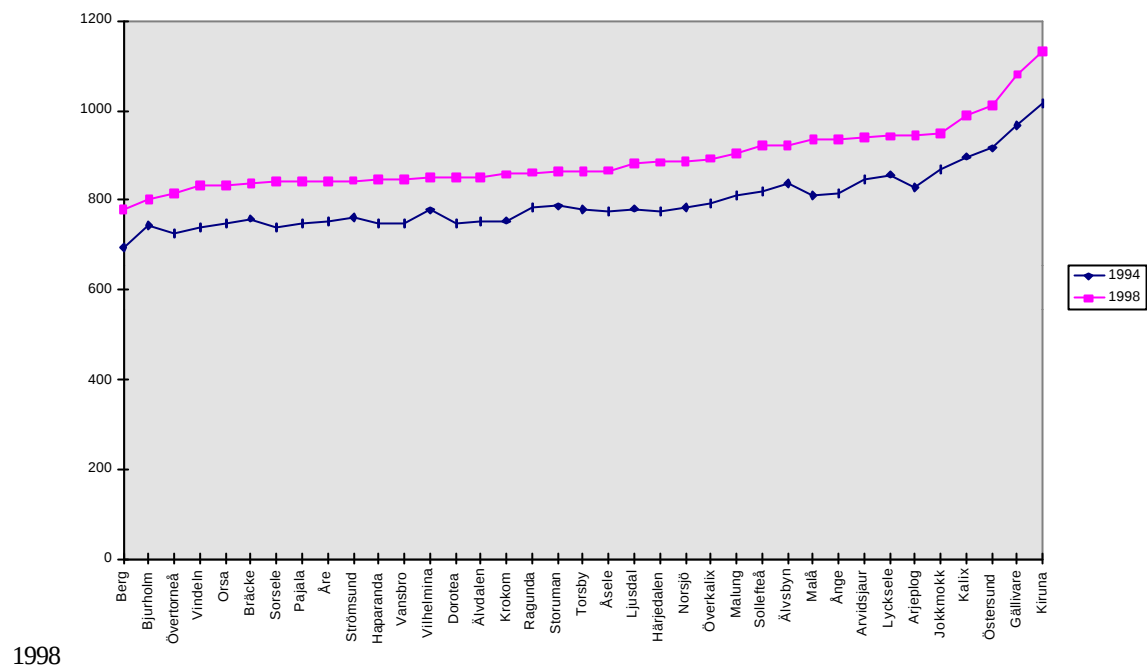


Figure 12. Employment in public sector 1994 and 1996.

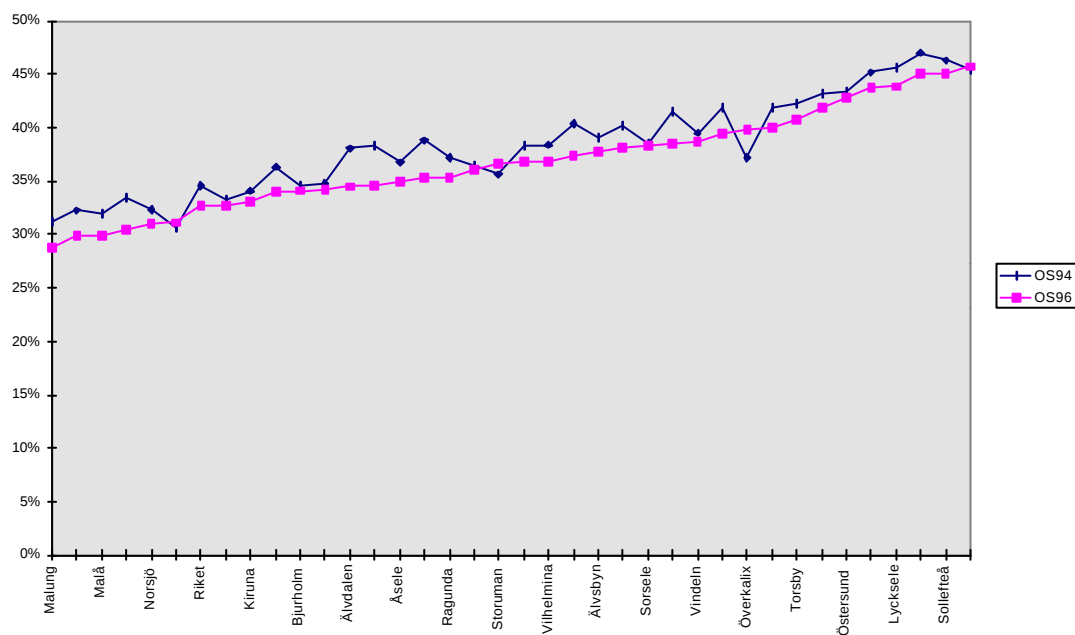


Figure 13. Private service 1996 och 1994

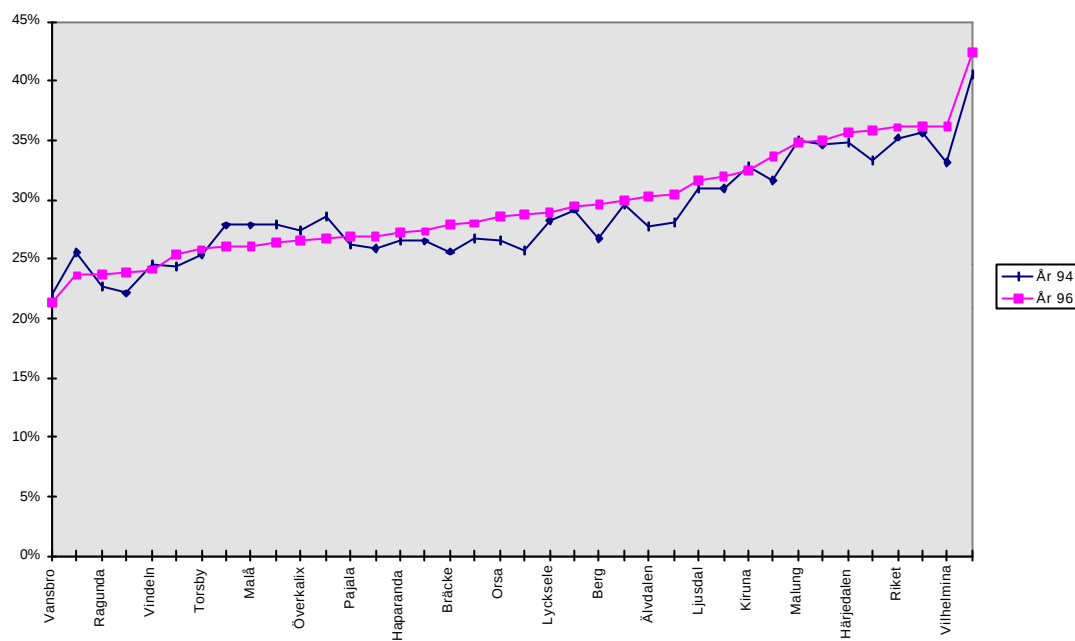


Figure 14. Employment in primary sector and manufacturing industry 1996 och 1994

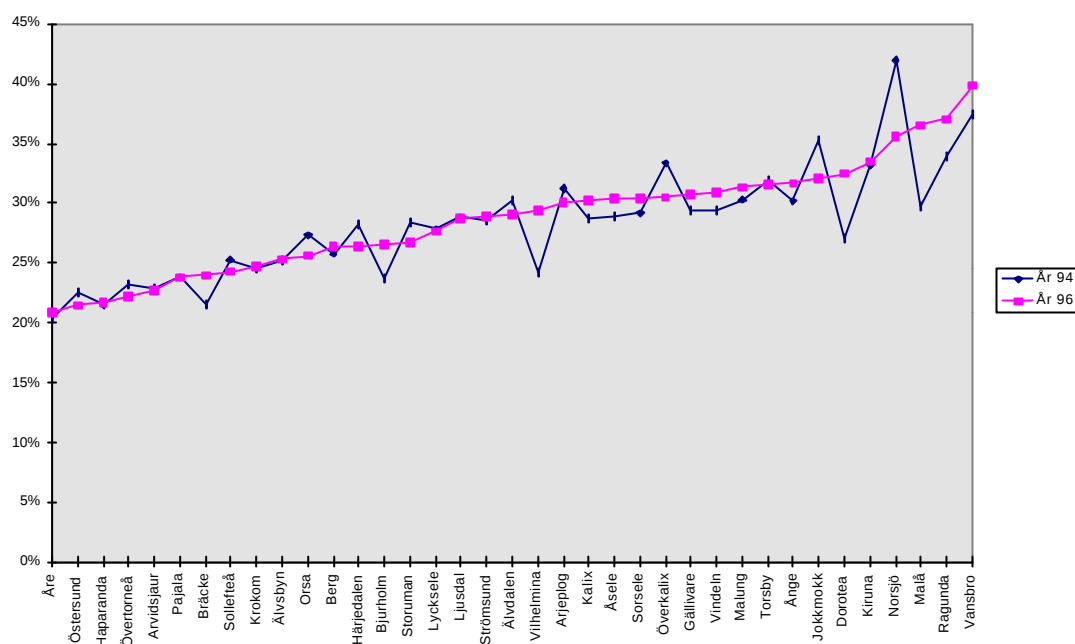


Figure 15. New firms rel to total population 1994 och 1998.

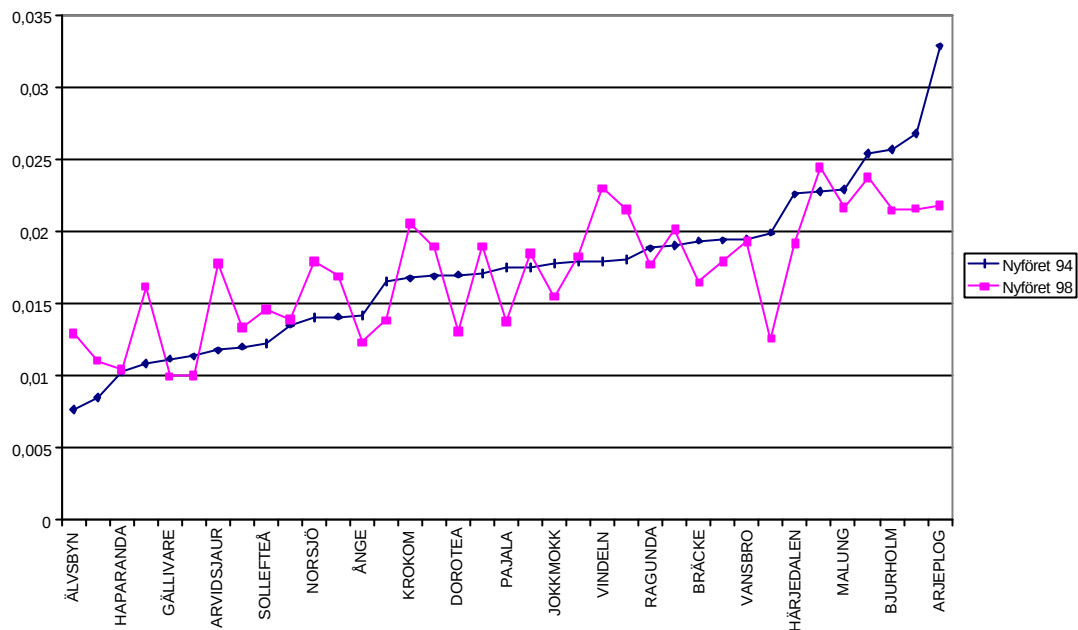


Figure 16. Unemployment 1991-98 in selected municipalities

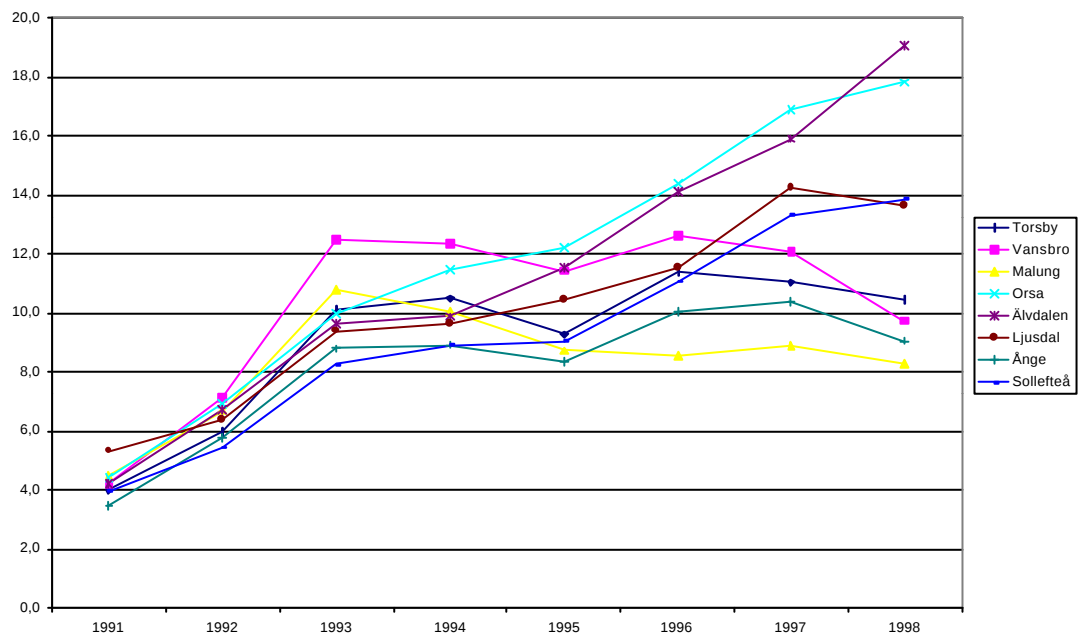


Figure 20. Post secondary education < 2 years resp. >2 years

