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From Manufacturing to Retail: Cross-Border Shopping and Economic Restructuring in West Sweden


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Abstract: This paper investigates the geography of cross-border shopping along the national border between Norway and Sweden. Border regions and cross-border shopping have become a subject of considerable interest in the ongoing process of integration in the European union. A result of this transformation process, besides the removal of national barriers, is a development of a greater economic and political transborder cooperation, which is expressed by flows of labour and goods. The border between Norway and Sweden is no exception since movements of labour and goods are genuinely associated with the region. However, the cross-border shopping and the inter-regional labour market have increased rapidly in recent years in a significant way. The reasons have to do with a strong economic growth in Norway, more specifically in the Oslo region, while the Swedish side of the border has been a periphery in the national context. Thus the Norwegians show a high purchasing power, while wages and real estate are relatively low priced in Sweden. It is precisely these differences that create space for profitable economic activity on one side but not in the other. In this paper, a longitudinal individual database (ASTRID) is used to identify flows of labours. The aim of the paper is to investigate regional processes of economic restructuring potentially influencing labour markets close to the border. In particular, we analyze the interplay between changes in relative importance of different economic sectors on the one hand, and individuals' job mobility patterns on the other. Is it the case that decreased labour demand in the manufacturing industries has triggered job mobility to the growing retail sector? Or is the case that the new labour market situation is cleared by inter-regional job mobility or by changed patterns of labour market participation? The results show that retail and cross-border shopping in recent years has become a huge part of the labour market at the Swedish side of the border. A transformation from an economy based on manufacturing, small scale engineering and traditional basic industries to high levels of service is the regional outcome.

Keywords: Labour market dynamics, Cross-border Shopping, Retail, Economic Restructuring
Introduction

Border regions and cross-border shopping have attracted considerable interest within the ongoing process of integration in the European union. As a result of this transformation process, besides the removal of national barriers, there is a development towards more extensive economic and political transborder cooperation, which for instance is expressed by flows of labour and goods (Ganster & Lorey, 2005). The national border between Norway and Sweden is no exception because movements of labour and goods have been going on for a long time (Bore, 2005; Jörnmark, 2005; Berger et al. 2007). However, cross-border shopping and inter-regional flows of labour have increased rapidly and substantially during recent years (Ericsson, 2004). One of the reasons for this development is related to strong economic growth and increased household income in Norway in combination with a regional setting on the Swedish side of the border characterized by periphery and partly weak socioeconomic structures. Thus, the geographical amalgamation of high purchasing power, low wages and low prices on real estate provides beneficial conditions for various business activities (Berger et al. 2007).

The growth in retail and cross-border shopping has occurred alongside substantial changes in strategies, relationships and operations. These changes have initiated alternative perspectives on retailing and its role as a principal generator of regional income in contrast to traditional views placing retailing in the service sector. This new role puts retailing in a global framework of international chain of shops, international sourcing of products, international flows of management and managerial know-how, and international brands (Ganster & Lorey, 2005). Therefore, it can be argued that global economic forces apparently influence the municipalities and the local labour market along the border between Sweden and Norway.

The aim of the paper is to investigate regional processes of economic restructuring potentially influencing labour markets close to the border between Sweden and Norway. In particular, we analyze the interplay between changes in the relative importance of different economic sectors and job mobility patterns in the three municipalities Eda, Årjäng and Strömstad. Is it the case that decreased labour demand in the manufacturing industry has triggered job moves to the growing retail sector? Or is the case that the new labour market situation is cleared by inter-regional job mobility or by changed patterns of labour market participation? By answering these questions we try to place the restructuring process related to cross border shopping into context, and explore some of its relations to labour mobility.

The following section illuminates the local conditions on the labour market. Thereafter we provide a brief review of cross-border shopping and some theoretical notions on the implications of economic restructuring. After these parts the empirical study is presented and we conclude with some discussions based on our findings.

Setting the Scene

Since the early 2000s there has been a substantial growth in the cross-border shopping sector (Jordbruksverket, 2006; SCB 2008). This growth has influenced some local labour markets in the southern parts of the borderland between Sweden and Norway. The restructuring process involving retailers, employees, and consumers has a lot of similarities with processes at work in other borderland regions in Europe (Skidmore & Tosun, 2005; Ganster & Lorey, 2005; Dmitrovic & Vida, 2007). In recent years the cross-border shopping in Sweden has hit new
sales records each year (SCB, 2006; 2008). The visible results of these achievements are new shopping malls on the Swedish side of the national border in connection with the three main border passages (E6, E18 and RV61). These malls have brought new conditions for cross border mobility, for local labour markets and business activities, not least because the municipalities concerned have a high rate of small-scale businesses (Berger et. Al, 2007). The malls are located within municipalities of Eda, Årjäng and Strömstad, but not in town centres but rather in the outskirts close to main roads (see Figure 1). For long periods of time the border region has been dominated by the manufacturing industry (many suppliers to the vehicle industry), and to some extent also forest industry and fishery. Above all, jobs offered in these industries have mostly been taken by men. Women have generally been working in the public sector or carrying out unpaid housework (Forsberg, 2007). However, during the last ten years the number of employees working within manufacturing has decreased. At the same time commuting to Norway has become more popular, and there is a tendency towards a new genderized labour market (Forsberg, et. al. 2007). An important difference between the selected municipalities has to do with Strömstad transformation in to a tourist destination where Eda and Årjäng have failed it. One reason has obviously to do with the current location of Strömstad by the sea.

During the last decay the cross-border retailers in the region have moved from rather small-scale businesses – characterized by permanent temporality with outlets in tents, open air markets and bazaars – to highly professional, competitive and permanent businesses including some of the biggest Norwegian real estate companies. A quite similar development process from small-scale to large-scale operations is taking place in Lodz, Poland (Marcinczak & Van der Velde, 2008).

The Swedish part of the border region, from Strömstad in the south to Kiruna in the north, includes 22 municipalities that have a population amounting to 221,532 persons (2007). Approximately 50 % of the total population are employed. Most of these municipalities can be described as sparsely populated and peripheral with weak local labour markets. It should be kept in mind that these municipalities cover huge areas, which is reflected by the long distance, circa 1590 kilometres, between Strömstad to Kiruna. There are exceptions to this description in the southern borderland areas where population numbers are higher and where there is a high-priority road network. The Norwegian side of the border shares in generally many of these characteristics. Northern Norway is also sparsely populated, but the population

Figure 1: Map of the study area.
core area of the country (e.g. the Oslo metropolitan area) is located quite close to the Swedish border and the area of interest in this study.

In the aftermaths of the devaluation of the Swedish crown in 1982, trade across the border increased and it gained further momentum after the economic crisis in Sweden during the first part of the 1990s. Sweden was more or less forced to introduce floating exchange rate, which caused the Swedish and Norwegian currencies to deviate even more. In comparison to Sweden, the growth rates of the Norwegian economy have been much higher over time, which has resulted in substantially higher purchasing power on this side of the border. However, it is not until the years close to the turn of the millennium that border trade really boosts. One of the main reasons to this somewhat late take-off is that new large shopping malls in connection to main border crossings were not opened until recently.

**Cross-Border Shopping**

In general, cross-border shopping is a well-documented phenomenon in the literature (e.g. Skidmore & Tosun, 2005; Ganster & Lorey, 2005; Dmitrovic & Vida, 2007). It may be viewed as a subcategory of out-shopping since it mostly involves a distance between consumers residence and shopping, which is an activity that generally requires access to a car (Sullivan & Kang, 1997). However, cross border shopping is not studied to any great extent in connection to economic restructuring at the local and regional level. This has possibly to do with the fact that cross-border shopping normally change relatively slowly and last over a long time. Another reason, which is more specific in the case of cross-border shopping in Western Sweden, is related to the peripheral localization far away from densely populated metropolitan areas in (on the Swedish side of the national border). However, border regions and cross-border shopping has become a subject of considerable interest in the ongoing process of integration in the European Union (Cieslik, A. 2005). A result of this transformation process, besides the removal of national barriers, is a development of a greater economic and political transborder cooperation, which is expressed by flows of labour and goods (Ganster & Lorey, 2005). The wish of nation states to control the movement of goods and value added taxes (VAT) across boundaries also makes cross-border shopping and retailing a more complex activity (Ohsawa, 1999). Cross-border shopping includes tax-free shopping at airports and ferries, but from a political and economic point of view there are differences between “normal” cross-border shopping and tax-free shopping because of different reasons and intentions (e.g. shopping behaviour) and geographical impacts (Rasmussen & Reidarson, 2007). The main reason for cross-border shopping is price differences and differences in law frameworks (e.g. agriculture policies) and tax levels (Fox, 1986; Rasmussen & Reidarson, 2007), which is made clear in the case of Sweden and Norway.

Cross-border shopping and out-shopping, and their various impacts, have drawn attention to this field of research for many years, especially the study of income leakages from rural to metropolitan areas. One aspect of cross-border shopping and out-shopping is the gradual demise of local independent retailers (Chatterjee, 1991; Piron, 2002). Related research in the field of retail geography pays attention to the importance of rural food shops and how these shops supposedly affect migration to or from rural areas. However, recent studies give evidence to that rural food shops have already lost their importance as providers of convenience goods at the time they close, and therefore these shops have generally a marginal impact on migration (Amcoff, Möller & Westholm, 2009). The problem of income leakages is
accentuated when strong purchasing power of consumers shifts to the other side of a national border, generating an adverse impact on domestic economic activities (Chatterjee, 1991; Piron, 2002). Existing international out-shopping studies are relatively scarce, and they mostly concentrate on macro-economic effects and negative impacts where the income leakages occur (Ericsson, 2004; Rasmussen & Reidarson, 2007). There are also several studies that focus on flows of agriculture products across borders (Jordbruksverket, 2006). In this case with cross-border shopping on the Swedish and Norwegian national border, the leakages run the opposite direction, from the Oslo metropolitan area to a sparsely populated rural area located in the periphery of Western Sweden.

Most researchers agree that the primary justification for out-shopping is the compelling financial advantages of an out-shopping area, the broader supply of merchandise, and perceived product and service quality. The main reason for this view is often considered to stem from dissatisfaction with consumers’ local retail environments (Herrmann & Beik, 1968; Thompson, 1971; Papadopoulos, 1980; Chatterjee, 1991; Rasmussen & Reidarson, 2007). However cross-border shopping contributes to a restructuring at the local level.

**Restructuring and the Local**

Changes in the composition of the regional trade and industry give rise to different types of implications. However, these changes may be triggered by external factors such as changes in demand for the products or increased competition by firms located elsewhere. Changes in demand could partly be explained by shifts in customers’ taste and attitude towards the product, but also by the inability of the producing firm to keep up with the overall product development going on the industry. Weak innovation efforts and renewal over time may eventually lead to unprofitable operations and shutdowns. If many firms in the region face such a development the regional trade and industry is bound to transformation and change. Even though the creation and destruction of firms is a natural part of business dynamism, the systematic phase out of particular parts of the trade and industry put a lot of strain on the region (Schumpeter, 1934; Marshall, 1938).

There are many implications of industrial restructuring. Some would argue that restructuring is necessary for achieving long-term economic growth, which implies that production factors should continuously be transferred to sectors where they are used most efficiently. From a historical point of view, this seems to be a reasonable position because the composition and the technological content of the Swedish trade and industry has truly changed, e.g. expressed in terms of productivity increase and purchasing power, during the postwar period.

However, restructuring also brings negative consequences to people and regions. Individuals who are laid off from jobs they have had for a long time may face a personal crisis and anxiety about the future. This frame of mind is not likely mitigated by the fact that the wave of restructuring also makes many friends and acquaintances unemployed. The chances of getting a new job are smaller when local labour supply suddenly boost up – this is especially troublesome for older and low-skilled labour. Another complication is that restructuring tends to hit mature industries in sparsely populated regions more severely. Research shows that new technologies and industries first appear in metropolitan areas, and as products mature production gradually shifts away from core areas to more peripheral parts of the countries. A common characteristic of labour markets in peripheral regions is that they are thin and lack branch diversification, which makes restructuring processes even more challenging. From a
regional perspective, the close-down of the dominating employer causes severe unbalances on
the regional labour market and many individuals face the risk of long-term unemployment.
Thus, economic restructuring might trigger negative development in terms of increased
unemployment, lower household incomes, lower tax base for the municipality and increased
outmigration (especially young and middle-aged people). Moreover, the gloomy development
may eventually affect people’s thinking that reproduces and reinforces negative images of the
region. Based on this line of thought, the start-ups of new shopping malls in Nordby,
Töcksfors and Charlottenberg represent initiatives that potentially can break vicious circles
associated with peripheral regions. In the next section we turn to the empirical analysis of the
paper.

Materials and Methods

The empirical analysis is based on a sample from the individual longitudinal database
ASTRID, which is a compilation of registers at Statistics Sweden. ASTRID includes the
entire Swedish population and workforce during the years 1990 to 2007. In this database there
are individual attributes relating to demography (e.g. sex and age), family (e.g. partner,
children), education (e.g. level of education), work (e.g. economic sector of the workplace),
housing (e.g. type of housing), and location of housing and workplace. In total, ASTRID
contains circa 100 individual attributes per year. In a first stage we sampled all employees
working in the retail sector in the border region (municipalities located at the border to
Norway) 2007. Thereafter, we selected individuals whose workplaces are located in Eda,
Årjäng and Strömstad, which are the municipalities of main interest for the study.

Results

The following section presents the empirical results of the study. The key findings are
presented in separate figures that are briefly commented upon.

The number of persons employed in the retail sector within the three selected municipalities
has increased sharply over the period 2002 to 2007, which is shown in Figure 2. In 2007 there
were 2,898 employees in the retail sector of which 605 worked in Eda, 742 in Årjäng, and
1,551 in Strömstad. During the five-year period employment has increased by circa 30% in
this sector. This development can be contrasted to the manufacturing industry in which
employment has gone down by 10% (from 2,470 to 2,269). In comparison with the national
composition of trade and industry, there are proportionally more jobs in retailing in the
selected municipalities.

In light of the substantial increase in retailing, it is pertinent to further investigate where
people working in this sector live. Most employees in the retail sector of Eda, Årjäng and
Strömstad live in the very same municipality as their workplace is located. But there are also
many commuters, or at least people who have their residences far away from their
workplaces. There are however some differences between the municipalities. In 2007, 76.8%
of the retail workers in Strömstad live in the same municipality, and in the case of Eda 66.4%
live in the same municipality. Concerning the work force of Eda, 27.6% reside in Arvika,
which belongs to the same labour market region as Eda. In Årjäng 74.8% of the retail workers
live and work in the same municipality.
In order to shed further light on the geographical dimension of the settlement pattern, we use a regionalization constructed by the Swedish National Rural Development Agency (Glesbygdsverket). This accessibility-based regionalization distinguishes between 1) settlements of 3,000 inhabitants or more and their immediate hinterlands, “urban areas”, 2) surrounding areas within 45 minutes travel time, “accessible rural areas”, and 3) areas with longer distances, “remote rural areas” (Glesbygdsverket, 2008). Table 1 shows the distribution of people working in the retail sector across the defined geographical categories.

Table 1: Regionalization and place of residence – people working in retailing 2007.

<table>
<thead>
<tr>
<th>Geographical categories</th>
<th>Number of individuals</th>
<th>Relative distribution of individuals, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban Areas</td>
<td>1,367</td>
<td>47.2</td>
</tr>
<tr>
<td>Accessible Rural Areas</td>
<td>1,483</td>
<td>51.2</td>
</tr>
<tr>
<td>Remote Rural Areas</td>
<td>48</td>
<td>1.7</td>
</tr>
<tr>
<td>Total</td>
<td>2,898</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The table reflects a relative urban concentration of people working in retailing, circa 47% of the individuals live in urban areas. More than 51% reside in accessible rural areas, which by definition refers to those who live just outside the urban border and outwards. Without jumping to conclusions, most of those 1,483 people almost certainly live in settlements fairly close to the urban border. The remaining 1.7% correspond to remote rural areas, which are relatively far from the urban core.
close to the urban areas, which means that a clear majority of the people working in retail live in or close to urban areas. This notion is supported by the fact only 48 individuals or less than 2% of this group dwell in remote rural areas. It should also be kept in mind that this part of Sweden is sparsely populated and is characterized by long distances.

The vast majority of those working in the retail sector in the three selected municipalities are living and working in the same municipality, but there is also a considerable number of commuters. In figure 3, a distinction based on the descending distance between workplace and place of residence is made. The number of commuters drops with increasing distance, but this pattern is distorted by the connections to the metropolitan region of Stockholm. During the period 2002 to 2007 a concentration trend has taken place, which is reflected by an enhanced proportion of people living and working in the same county (municipality). It is worthwhile noticing that during this five-year period the proportion of workers living in Norway has declined.

Generally, young women dominate the retail sector in the three selected municipalities and most of them are aged between 19 and 30. Among the 2,898 persons employed, 1,221 (42.1%) are men and 1,677 (57.9%) are women.

In order to identify a possible ongoing restructuring process, it is of interest to observe, not only the geographical origin/settlement pattern of the employees in retailing, but also to analyze from which other economic sectors they have come. In the figure 4 the number of employees broken down by sector over time is presented.

The figure displays the transition between different sectors for those who work in retailing in 2007, and it relates to the question about sector origin of those who have entered the retail sector. The category named “missing” mainly represents people who were not participating in the labour market before they entered the retail sector. Thus, the jobs in retailing have provided a way in to the labour market for this group. A small part of this group may be Norwegians. We do not, however, have access to data on international labour flows in our
database. Needless to say, the economic sector denoted “Wholesale and retail trade” is the biggest group in Figure 4. Most people stay in the same sector over the years.

Figure 4: The sector origin of employees working in retailing in 2007.

The inflow of employees to the retail sector is further showed in Figure 5, where retail workers have been removed in order to elucidate the importance of the other sectors. The figure is based on the sum of differences between 2002 and 2006, and it clearly shows the significant inflow from the public sector and manufacturing.
Discussion

The results of the analyses show that the importance of retailing and cross-border shopping has greatly increased during recent years. There is evidence of an extensive transformation of the economy showing a shift of employment from manufacturing, small-scale engineering and traditional basic industries to various types of service activities. It seems evident that the retail sector in the southern part of the borderland region has expanded, creating many new job opportunities at the local level. At the same time employment in the manufacturing sector has gone down. During the five-year period between 2002 and 2007, manufacturing is reduced by 10%, whereas retailing has shown a 30% upswing. Evidently, this shift has brought changes to the regional business structure, and even more so regarding the employment situation on the regional labour market.

However, the flows of labour indicate fairly diverse transition patterns. It has been argued that the downturn in manufacturing would imply large flows of job movers to the expanding retail sector. Even though such patterns can be detected in our analyses, the flows from various public sector activities (e.g. health care, social work etc.) are as common. The transition from social services to retailing is perhaps not so surprising since both sectors have a lot of workplaces whose staffs are mostly populated by women. Previous research has shown that economic restructuring processes that cause an altered gender balance on the local labour market are making job-matching activities more complicated. When controlling for variations in qualification needs for different jobs, it has been proven difficult for people to accept job offers in entirely different operations. For example, men previously working in manufacturing, forestry etc., have been reluctant to start working with eldercare and other jobs traditionally carried out by women. Nevertheless, in comparison to the manufacturing sector, the public sector has not faced any severe waves of lay-offs generating high
unemployment rates, i.e. people working in the public sector have not been forced to search for new jobs. The high transition rates from the public sector to the retail sector should perhaps be looked upon as a perceived difference in attractiveness between these sectors. If this trend continues, municipalities might have to deal with labour shortage in a not too distant future.

The local labour markets in the borderland region have gained a lot from the expansion of cross-border shopping, but the vulnerability of the retailing sector should also be acknowledged. The successful operations in these places are to a large extent dependent on factors beyond local control. For example, changes in legislation at the national level or the EU level could quite easily wipe out today’s business opportunities. A major shortcoming of these places as engines for sustained local economic growth is the absence of inherent local knowledge creation in these firms. Innovation and learning processes within the sector take place elsewhere and the current operations can easily be relocated if conditions change.

References


