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DORA - DYNAMICS OF RURAL AREAS

National Report – Sweden

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1. INTRODUCTION

1.1 AIM AND OBJECTIVES

The aim of this study is to investigate the reasons for good and bad economic performance in different rural areas and, in particular, to investigate the role of tangible and less tangible factors in influencing development outcomes¹. The *core research question* can be stated as: Why do rural areas in apparently similar economic, social and environmental circumstances have markedly different performance over relatively long periods of time? *The basic research hypothesis* is that the differential development of rural areas can be explained by a combination of ‘tangible’ and ‘less tangible’ factors and the way in which these interact in specific national, regional and local contexts. Such factors not only define different opportunities and constraints for local development, but also illustrate how effective the local and regional system is in tapping resources and opportunities and ameliorating constraints.

In order to reach the aim of the project, several *specific objectives* are stated:

- (i) to identify and measure the significant economic changes taking place in different types of rural area in Sweden with a particular focus on employment changes, in order to select matched pairs of rural area, comprising areas which appear to be relatively successful, and areas which are less successful over the medium term (ten years or more).
- (ii) to develop from the literature on regional convergence and divergence a set of explanatory variables which can be measured directly or indirectly in rural areas at NUTS III or below, dealing with both “tangible” and “less tangible”, and to generate hypothesis which link these variables to economic performance of these areas.
- (iii) to attempt to explain the differences between “successful” and “unsuccessful” rural economic performance over time by analysis of these “tangible and “less tangible” variables through national and international comparisons of the matched pair case
- (iv) to access the ways in which contextual and historical factors (national, regional) influence these processes of differentiation through comparative analysis of the areas studied.
- (v) hence to improve our understanding of the factors underlying differential performance of rural areas in contemporary Western Europe, and their relative importance in different contexts.
- (vi) thus to provide the basis for development of a theory, or theories, of rural development, and to guide policy and practice on optimal strategies for public intervention in different types of rural area.
- (vii) to propose new data for the analysis for the development processes at local levels, which can be applied at EU level, and transfer experience in methods of collecting such data in different countries, contexts, and statistical levels.

¹ Tangible factors represent the resources, which are available to any area, i.e. what is visibly ‘there’. Less tangibles represent factors which determine how well or badly these resources are put to use in any area. We are interested in the relationships between tangible and less tangible variables and the way in which they influence differential development outcomes. Some of the intangible variables are only indirectly related to what may be affected by policy, but they may nevertheless condition the effectiveness of policy.

1.2 THE CONCEPT OF DIFFERENTIAL ECONOMIC PERFORMANCE

The guiding principle behind the selection of factors, variables and research questions/hypotheses has been that each should conform to an explanatory logic, to help determine the causes of differential economic performance (DEP), as follows:

X (1...n) --> DEP

(where X is a factor, the numbers refer to variables and the arrow to a causal effect)

The list of 10 factors is a guide to comprehensive research, 5 are tangible and 5 are less tangible factors. Tangible factors deal with the objective, formal, measurable and well-established characteristics of economic performance. Tangible variables are primarily based on quantitative, statistical data. Less tangible variables refer mainly to informal relations and activities. They constitute key elements of the residual R in the 'production function'. One of the DORA project aims is to investigate 'the capability of local people to stimulate economic performance in their area'. This capability should be largely attributable to less tangible variables, which act as the 'invisible hand' in differential economic performance. Less tangible variables are primarily, but not exclusively based on qualitative data.

1.3 METHODOLOGY

In recognition of the inter-disciplinary nature of the project, and of the research teams involved, *quantitative and qualitative research methods* has been employed. The work has also taken a comparative approach, as the results from fieldwork were compared at regional level (between the study areas), national level (between the regions) and international level (between the countries). The methodology involves the following procedures:

The literature and policy review has focused on reviewing recent processes of change in rural areas of Europe, on regional development including convergence reports and evaluations of structural and cohesion fund operations, on typologies of rural areas, farm diversification, the rural environment, and structural change. This has provided a good basis for the definition of key variables and contextual information.

*The selection of regions and case study areas (matched pairs)*² has been the second step and constituted the *first deliverable* of the DORA project. The Technical Annex (TA) specified that the two study areas within each region would be chosen according to "contrasting economic performance". Whilst the TA specified only net-migration and employment change over time as the criteria to be used in selecting the areas, the partners have used a wider range of economic indicators, such as, population change, net migration, employment, unemployment and business start-ups. The Swedish team chose one region in the North of Sweden (Norra Norrland) and another in Southeast Sweden (Sydöstra Sverige). The region in North Sweden region currently has Objective 6 status and that in Southeast Sweden has Objective 5b status. The region of Southeast Sweden is entirely classified as "significantly rural" according to OECD criteria. In the North Swedish region, all municipalities are also "significantly rural" except Gällivare, which is "predominantly urbanised" (mining town).

In addition to more conventional 'tangible' factors concerning differential economic performance, for example: natural and human resources, infrastructure, investments and economic structure, five 'less tangible' factors have been identified. These concern market performance, institutions, networks, community and culture and quality of life (Figure 1). This selection has constituted the *second deliverable* of the DORA project. To make the analysis of these 10 factors possible, each factor has been broken down into several variables (in a total of 38). Thus, each factor is understood to function as 'a composite' of aggregated

² More detailed information, see Deliverable 1: Final Selection of Regions and Study Areas (FAIR6-CT98-4162: Dynamics of Rural Areas (DORA))

variables³ that are understood to influence the economic performance of each study area in different ways.

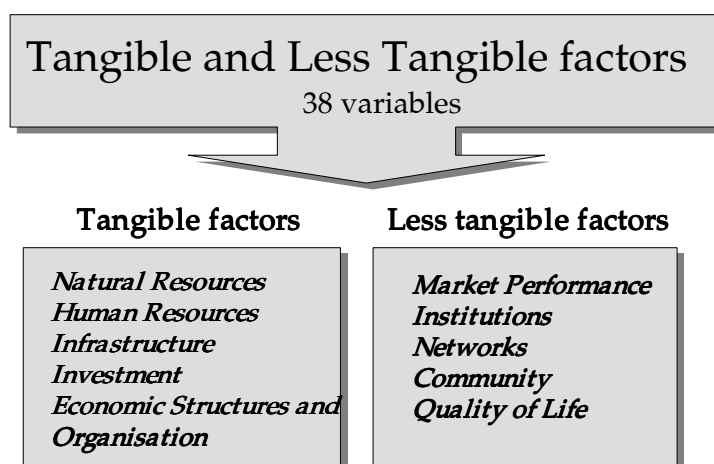


Figure 1 Tangible and less tangible factors of DORA.

The tangible factors have been approached primarily through the objectified public record, which allows for fairly straightforward descriptive analyses. The less tangible factors, on the other hand, concern use and perceptions of that which is ‘there’, i.e. how things function (or not) in practice and how people experience them subjectively, when approached mostly by interview.

A new element in this project has been the involvement of practitioners (policy makers, rural development actors) in small national steering groups (6 members⁴) to assist with the development, implementation, interpretation and dissemination processes. These meetings have provided an opportunity to discuss results and obtain a group perspective on them, which could well provide teams with additional insights, and indeed provide another perspective on the findings. The results of the meetings are fed back into the national reports, and thence to the consolidated report on comparative analysis.

An important step in the study has been to gather and assess contextual information about the study and regions of study. *Contextual studies* provide contextual information about the study areas and regions. This provides a description of the set of opportunities and constraints, that the object of the research analysis is faced with, influenced by and over which there is relatively little control (e.g., location, geographical characteristics, distances from main urban centres, historical development, policies formulated at regional or national or European level, etc). The contextual studies contain information about the study area context, the regional context and the national/global context. Contextual studies deal with the location of the region in the national and EU framework, the socio-economic characteristics and recent trends of development, the historic evolution of development relating to economic performance, the institutional setting and administrative characteristics and structures, the regional policies with specific emphasis on rural development schemes opportunities and, finally, the constraints for development and economic performance.

The DORA fieldwork was performed to gather information about how local actors perceive their area in terms of potentialities and constraints that they judge to lead to the current economic performance.⁵ This was done by interviewing public officials, politicians,

³ More detailed information, see Deliverable 2: Final selection of Key Variables (FAIR6 – CT98 – 4162 DORA: Dynamics of Rural Areas)

⁴ The composition of the Swedish steering group as well as the minutes of the two first meetings are found in the Interim annual report.

⁵ More detailed information, see Deliverable 3: Methodological Report (FAIR6 – CT98 – 4162 DORA: Dynamics of Rural Area)

entrepreneurs, NGO's and related associations and individuals. The interviewed groups have been chosen in consultation with the steering group. A fair distribution by gender has also been taken into consideration. The Swedish version of the common interview schedule agreed on at the Management Group Meeting was used as a basis for the interview⁶. The interview consisted of a guided conversation, or as described by Fontana and Frey (1994), a "semi-structured, somewhat directive, field formal interview". Most of the interviews took place between April and May 2000. The interviews took an average of ninety minutes (few of them took less than an hour and few others close to two hours). We also used photographs as a way to register samples of the reality we found interesting in our study areas and meaningful to the research. We decided to divide our fieldwork Phase I in two parts. The first part was composed of approximately twenty-five interviews in two chosen study areas (Southeast Sweden and North Sweden) as a pilot study carried out in April. The second part of the fieldwork took place in May and covered the areas not visited in April. During the first part, two researchers attended to each interview, one researcher conducted the interview while the other concentrated on taking notes. During the second part of fieldwork, three researchers worked independently the interviews were then transcribed (digital format) for further analysis. Since the transfer of the interviews was time and resource consuming, a sample (about 15 for each study area, 57 in total) over the total performed interviewees (126) was selected, with due attention to representativeness of each interviewed group and the quality of the interview⁷. The Swedish version of the common schedule was used as a basis for our interviews (see appendix 1). The impression gained was that the schedule worked well in general. Certain questions (specially those in the common part of the questionnaire - 110 interviewees were able to answer this section as well as questions concerning investments) were judged by the interviewees as 'difficult to answer' and, in several cases, the answers were quite superficial.

For the Swedish study areas, analysis of the available public record data was performed and later incorporated in the analysis of factor-by-factor of this report. These analyses were performed based on the necessity to have a deeper understating of certain aspects of economic performance that seemed to be extra relevant for the Swedish study areas. The first dealt with Local Labour Market Performance in (LLMP) in Swedish Rural Areas. In this study the objective was to assess the performance of Swedish rural local labour markets in activating labour force as an indicator of economic dynamic of regions - 1990-1996. The second analysis was an assessment of clustering of employment in Sweden and the objective was to investigate patterns of clustering for traditional and modern branches for the two rural study regions and to assess their location in relation to the national economic dynamics. The third analysis was an assessment of services supplied in Swedish rural areas. The main goal was to classify the Swedish study areas based on the accessibility to basic services using Geographical Information System – GIS. This was done in co-operation with The Swedish National Rural Development Agency, which develops GIS suitable for spatial analysis in rural areas. In all studies, special attention has been given to the DORA study areas (a full report of each individual analysis is available upon request⁸).

Combining information from the fieldwork with the available aggregated statistics, a comparison between study areas and regions has been performed. The results of this analysis are presented in this *National report* for the Swedish study cases, which focuses mainly on the differences between the matched pairs of study areas (successful and less successful case studies comparison) in the chosen region as well as on attempt to explain differences in economic performance by looking at the dynamics of each region. The analysis starts by combining and contrasting the evidence from fieldwork and the available aggregated

⁶ The group of interviewers was composed of Vânia Ceccato (Research Fellow), Åsa Pettersson (Research Fellow) and Mats Brandt (Trainee Researcher) from Nordregio, Nordic Centre for Spatial Development.

⁷ A qualitative database was built in Microsoft® Access 2000 (9.0) to support the analysis of the interviews. The analysis was facilitated by using keywords and simple searching functions (such as, by study area and variable/factor) available in Access.

⁸ Ceccato and Persson (2000), Ceccato and Persson (2001) and unpublished material distributed in the second National Steering group meeting.

statistics against the stated hypotheses defined in deliverable 2 for each individual variable/factor and study area. Thus, the analysis initially follows a factor-by-factor structure. Each factor has been systematically addressed, even if it was not regarded as important in explaining differential economic performance. The factor-by-factor analysis has completed with a description of set of factors and interrelationships, which allowed us to explore the “stories” and richness of differential economic performance of each region.

This report is organised as follows: In section 2, the European, national and regional context and the study area descriptions are presented as a background for the analysis (factor-by-factor, by themes followed by conclusions) of the two Swedish region that is carried out in sections 3 and 4. The final considerations are presented in section 5 (comparison, synthesis and research implications) followed by a discussion of the policy implications of the results in section 6.

2. CONTEXT

The first part of this contextual study focuses on the specificities of the Swedish context, and more specifically on the situation of rural areas in Sweden within the National and European context. This is particularly important as the objective is to compare and draw conclusions about differential economic performance between countries. The second part is focused on the regions and study areas of study. This part highlights the unique set of opportunities and constraints, that the object of the research analysis is faced with, being influenced as well by those factors over which there is little local control (e.g. location, geographical characteristics, distances from main urban centres, historical development, policies formulated at the regional national or European level).

2.1 THE NATIONAL AND EUROPEAN CONTEXT

There are at least three aspects that make Sweden a special country in a European context. The first aspect deals with the *country's traditional local decision-making*. Of course, there are regions in Sweden that are traditionally more independent than others. They may be more apt to stimulate local co-operation, to better represent different local interests and be able to face changes and new challenges. Nationwide, Sweden is characterised by a system of strong political decentralisation in which the municipalities (municipalities are also active in local economic development planning) have major responsibilities (for service supply and power of decision particularly in land use planning). This is important in the context of economic performance as it is expected that the closer to the people the decisions are made, the more responsive and effective the system should be.

The second important aspect is Sweden's status as a *welfare State*. Despite the clear evidence of diminishment of the State's role and strong influence on a global market economy during the last decades, Sweden has succeeded in keeping a great part of the welfare system core intact. In fact, these structural changes constitute an on-going challenge to the current planning system that is struggling to maintain a balance between the quality of life standard attained over the last century, and a series of new demands emerging from the globalisation process. *The equalisation system* among regions and municipalities is a mechanism that directly aims to decrease imbalances. Traditional mechanisms directed to keeping people's quality of life are associated with new policies with a strong welfare content means that the gap between the lagging and leading areas in a regional rural context may be relatively small. When differential economic performance between regions is assessed a sensitive method that goes beyond the analysis of 'hard factors' is highly relevant (especially in consideration of those that are supplied by common national welfare policy). Thus, two identical indicators of infrastructure standard may tell us very little about how resources are used locally. They may hide huge differences as to how similar infrastructure is used to achieve a better economic performance.

Within a European context, one important characteristic of Nordic countries, is the extremely *sparsely distributed population*. The Northernmost region (of the DORA North Sweden region) has a population density of 3 inhabitants/km² against 22 inhabitants/km² of the whole Sweden and 116 inhabitants/km² that is the EU average. Sweden is an urbanised rural country. According to the definition of 'rural areas' from The Swedish National Rural Development Agency (*Glesbygdsverket*), about 65 per cent of the Swedish municipalities are somehow rural but they are far from being homogenous. At least two groups can be identified: the first group is composed of 10 per cent of the most sparsely populated municipalities (*glesbygdkommuner*) located mostly in North Sweden, and, the second group constitutes of 55 percent of the municipalities located in adjacency to urban areas (*tätortsnära landsbygdkommuner*). This extremely low population density has a clear impact on the potential dynamism of these areas in terms of innovative capacity, industrial sectors diversification, labour force competence and mobility, and not least of all, infrastructure and communication.

- Local decision-making

Sweden has a long tradition of local decision-making on local matters. The system is relatively decentralised. Since the Middle Ages, there was a well-developed system of local self-government both in rural areas and cities (Häggroth et al., 1993). Nowadays, there are two types of local governments, the municipalities and the county councils. Municipal and county councils services expanded rapidly during the 1960's and 1970's and despite the cutbacks in the 1980-90's, it is estimated that around one-fourth of the Swedish labour force are employed by municipalities or county councils. In rural regions, it is common that about half of the labour market is in public services.

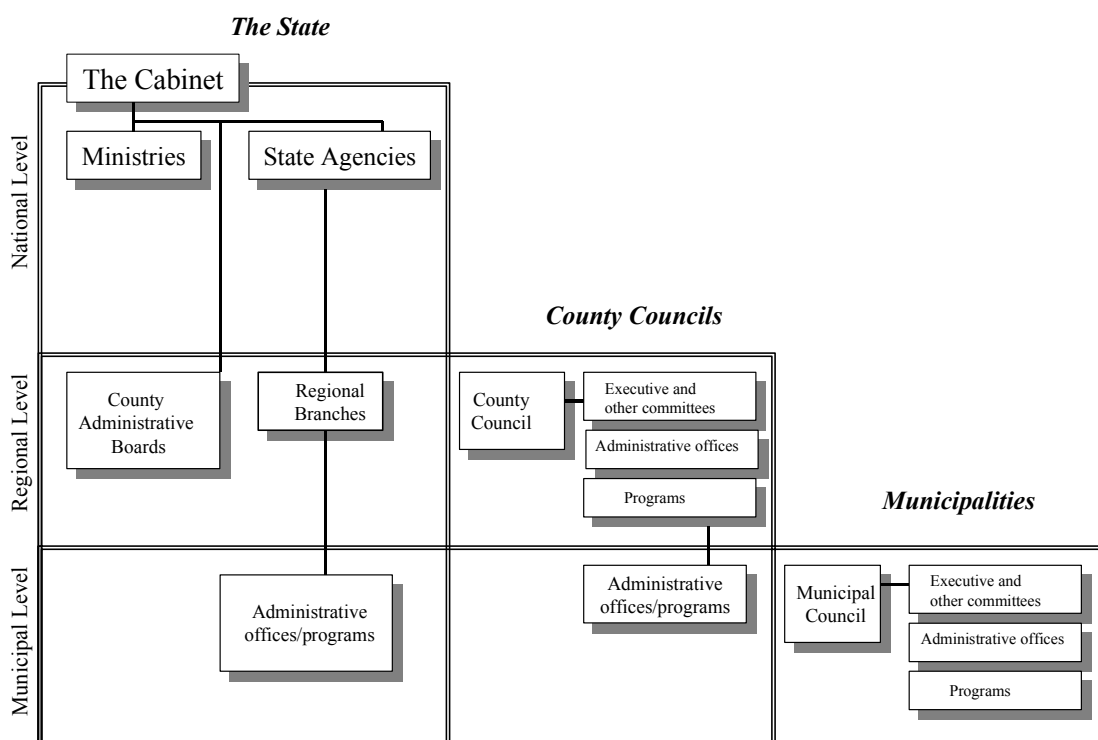


Figure 2 The levels of Swedish public administration.

Source: Häggroth et al. (1993), p. 20.

The governing process in Sweden functions on three democratically elected levels: the *Riksdag* at a national level, the county councils at a regional level, and the municipalities at a local level, each with different spheres of responsibility (Figure 2 and Figure 3). The *Riksdag* is the legislative assembly and is elected every fourth year by the people of Sweden (it is Sweden's supreme decision-making body). The *Riksdag* elects the Prime Minister and the Prime Minister appoints the Government. Both the municipalities and the county council

are governed by assemblies elected by the people. These are called the municipal council and the county council Assembly respectively. They consist of politicians who are directly elected by the citizens. The elections are held in conjunction with the parliamentary election.

The county council constitutes the popularly elected regional level in the country. There are 21 county councils in Sweden. At the regional level, the state is represented by the county administrative board, which can be described as being the protracted arm of the state (The head of the county administrative board is the Governor, who is appointed by the Government). The county council appoints the members of the county administrative board. As opposed to the county administrative board, both the county councils and the municipalities have the authority to set their own taxes and carry out their own decision-making (This is regulated, among others, in the municipal statute book, which is one of the corner stones of Swedish legislation). The county council assembly is the meeting-place for democratically elected politicians, who act as the county council's riksdag (parliament), but hold limited responsibilities). The county council executive committee is its "government". In addition, there are a number of committees whose duties involve attending to various matters of business that are subsequently raised in the assembly.

The municipality constitutes the popularly elected local level in the country. There are 289 municipalities in Sweden. These are responsible for local issues in the immediate environment of the citizens (In addition, there are a number of committees whose duty involves dealing with various matters of business that are subsequently raised in the council). Each municipality is responsible not only for implementation of policies related to urban matters but also for those related to the rural areas, which are parts of their territory. The municipalities have traditionally been responsible for operating the compulsory comprehensive schools (including adult education and Swedish language for immigrants, municipal social services (child care, care of the elderly and disabled, etc.) technical and emergency services, land use planning, environmental and primary health care and recreation and culture.

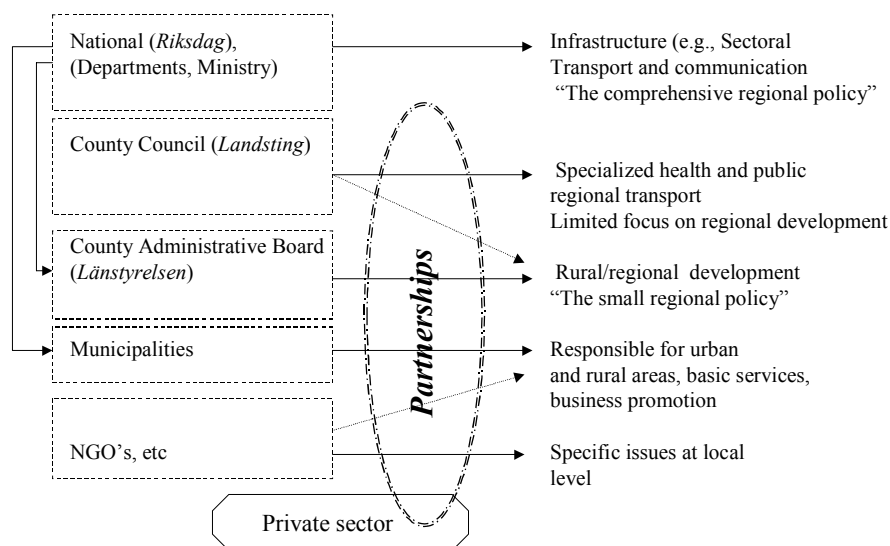


Figure 3 Main tasks of the public administration and private sector.

The county councils operate on the regional level, with the health specialised care system as their dominant field of responsibility and also public regional transport.

As for regional economic development, the county administrative boards have a direct influence on State planning at the county level. The boards are in charge of the regional development funds, which provide financial and other assistance to regional and local business, rural development and development of projects.

- Welfare State country

The welfare state principles still constitute the basis for the government's action in Sweden. This means, in practice, that there are mechanisms to equalize the differences in the financial situation of various municipalities (and county councils) – the revenue equalisation system being the most important one. At municipal level, the revenue equalisation system is based on differences in the taxation resources of various municipalities, which in its turn is dependent upon the percentage of population with paid employment (that is, age and economic structure) and on income levels. The lower the taxation resources of a given municipality itself, the larger its grant will be. It is known that the “most expensive” municipalities are those small, sparsely populated ones, and some major cities. At regional level, there is the equalisation system for structural differences in expenditures in order to create equitable financial conditions in various municipalities, since there are municipal costs that go beyond the control of the individual municipality.

The State grant system, which went into effect in 1993, uses the entire block grant appropriation for equalisation of municipal revenue basis. “A system aimed at equalising structural differences in municipal expenditures has been connected to it. This system is financed entirely by the municipalities themselves in the form of inter-municipal equalisation payments”. Municipalities with low costs subsidise those with high costs (Häggroth, 1993, p. 82). Besides the regional equalisation system, there is a system of regional incentives to stimulate businesses locating and setting up or expanding in designated priority areas in Sweden, primarily in North-western Sweden. In these areas, “the regional incentives are comprised of five grants, a loan scheme and a concession on social security contributions. The grants include a regional development grant for hard investment, regional development grant for soft investment, employment grant, transport grant, and rural development grant.” Unlike most other EU countries, in Sweden some of these subsidies are granted automatically to all companies, which fulfil the requisite eligibility criteria (Aalbu et al., 1999, p. 44).

In the last decade, the relations between the State and the local governments have been characterised by a trend toward deregulation. The Local Government Act of 1991 gave the municipalities considerable freedom in structuring their committees, deregulating significant parts of school and social services and opening up participation of the private sector in matters that were strictly public sector business. New forms of solving problems via co-operation/partnership have also resulted owing to changes in the State's role and the deregulation process (for more information about the impact of the partnerships and experiences see, Westholm, 1999). At regional level, the so-called *Regional growth agreement*, announced in the policy bill *Regional Tillväxt* (1997/98:62), which has a central concept the idea of “partnership” (Dahlgren, 1999) constitute a good example of such a trend. Each county partnership developed its own plans based on their own regional specificity. The idea is that the public sector and private enterprises should jointly fund projects for economic growth in each region.

Part of these structural changes is related to the fact that Sweden (along with Finland and Austria) joined the European Union in January 1995 through a referendum campaign with a relatively close result. The number of Member States was increased to 15, when a northward expansion took place. Sweden has often been considered “a reluctant European”, since Sweden always wanted to take advantages of a common economic market whilst, for political reasons looking suspiciously upon rules that might infringe the country's neutrality status. The ties between Sweden and European Community became tighter during the 1980's, when the country joined the Nordic Council and the European Free Trade Association (EFTA). According to Miles (1997), the Swedish relations with the EC underwent relatively dramatic changes during the late 1980's after which the country went on to become a full member 1995. Since then, a series of adjustments of the national and regional policy has been taking place to the common European Community's framework.

- The sparsely populated and remote rural areas

Rural areas in Sweden have several distinct features. The first aspect deals with the concept of rural areas. Rural areas in Sweden include a large extension of the territories, which are heterogeneous in nature. According to The Swedish National Rural Development Agency, they range from areas in adjacency of urban centres to areas that are extremely sparsely populated. One of the most important characteristics of the Swedish rural areas is the population distribution – which is extreme sparsely distributed mainly over the northernmost parts of the country, a fact that has traditionally had a strong impact on the establishment of the regional policies.

Moreover, rural areas in Sweden, mostly the most remote ones up North, are also synonymous with an ageing population and population reduction, i.e. a population that increasingly moves towards more urbanised regions and larger labour market areas. In terms of general economic performance, any attempt to make generalisations is a difficult task since there are areas that follow the general trend of economic decline, such as the great part of North Sweden inland, while others are competitive even European –wide, such as areas in Småland. Rural areas in Sweden tend to be specialised in traditional sectors, such as, agriculture, forestry and manufacturing. Nowadays, several areas are struggling to establish a more modern and competitive economic structure, through investments in human capital and knowledge-based sectors that are adapted to the international demands.

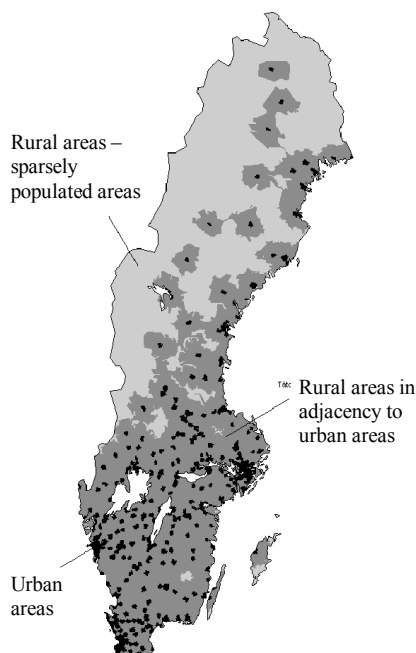


Figure 4 Rural areas according to the national rural development agency.

Sydöstra Sverige or Southeast Sweden and *Norra Norrland* or North Sweden constitute the DORA's regions of study. Within each of these two regions, two study areas have been selected that exhibit medium to long-term differences in economic performance according to several criteria, including GDP per head, status for policy programmes and degree of rurality according to OECD criteria (Figure 4). Within each pair, one study area represents a “well performing area” whilst the other “performs less well” (Table 1).

Table 1 The DORA regions and study areas

Regions	Norra Norrland	South-east Sweden
“Well performing”	Storuman, Sorsele & Lycksele <i>WPN</i>	Kinda, Boxholm, Ödeshög, Ydre & Aneby <i>WPSE</i>
“Less well performing”	Överkalix Pajala & Gällivare <i>LWPN</i>	Hultsfred & Vetlanda <i>LWPSE</i>

Southeast Sweden region is divided into two groups of municipalities regarding their economic performance. The *Well Performing Southeast – WPSE*, Ödeshög, Ydre, Kinda, Boxholm and Aneby composes a group of municipalities that can be considered dynamic when compared with other municipalities in the same region. The municipalities of Hultsfred and Vetlanda were taken as less dynamic examples and they are called *Less Well Performing Southeast – LWPSE*. Storuman, Sorsele and Lycksele compose a group of municipalities in Northern Sweden regarded as dynamic compared with other municipalities in the same region, the so-called *WPN – Well Performing Norra Norrland*. The *Less Well Performing North Sweden area – LWPN*, is composed of three municipalities, Överkalix, Pajala and Gällivare located in Norrbotten county⁹.

2.2 REGIONAL CONTEXT AND STUDY AREAS IN NORTH SWEDEN

This section contrasts the potentialities and constraints experienced by each region. The *potentialities* of the North Sweden region cannot be limited (Figure 5) to its location and the uniqueness of its environment. The region has a strong potential for tourism (“Europe’s last wild land” – is the current slogan) and has a strategic location compared to other Nordic countries. The landscape of this huge area is widely varied. It extends from the mountains in the west, along the great rivers and through the vast forests and farming areas. Many natural reserves and protected rivers are found in this region, including Kebnekaise, Sweden’s highest mountain. Besides the natural resources, this region has other singularities, for instance, it is a multicultural area. It is the only region in Sweden that has boundaries with two other countries (Norway and Finland). North Sweden is part of the so-called Barents Euro Arctic Region, (which also includes Finland, Norway and Russia). The region is also characterised by its long tradition of mining (e.g., iron) and forestry, both of which are still important exporting sectors in Sweden. This traditional sectors combined with the exploitation of watercourses (hydropower) are crucial for the regional economy.

Working against these potentialities, there are several *constraints* such as relative remoteness and size. The region is located in the periphery of Europe and also of the Swedish territory, but is relatively close to the Finland, Norway and Russian. The total area is 165 000 km², which corresponds to almost 40 percent of Sweden's area and 5 per cent of the EU's area. The region is the EU's absolute largest NUTS II-region, as large as for instance, Austria, The Netherlands and Denmark together. The region is also known by the decreasing sparse and ageing population. Such development in terms of population structure has created regional imbalances in education and consequently, in the labour market during the last decades, especially between the coastal and inland areas. Mining and forestry industry, often named, as “male based industry” does not contribute to decrease an always-segregated labour market, in which women are often limited to activities within the public sector. All these tangible barriers are certainly accentuated by a weak and diffuse regional identity (despite the strong rural communities movement during the 1980-90’s – *landsbygdsrörelse*) and the historical paternalistic attitude towards the State (which previously was the sole owner of all natural resources in the region) and, more recently, the EU organizations.

In the region live 6 per cent of Sweden's and 0.1 per cent of the EU total population. The DORA region’s population density shows 1.2 inhabitants/km² while the North Sweden region has almost 3 inhabitants/km² against 22 inhabitants/km² of Sweden compared to EU’s average of 116 inhabitants/km² (Table 2). A large part of the population is concentrated in urban areas. In 1999 the inland areas comprised around approximately 35 per cent of the population while the coastal areas figured at about 65 per cent. Although the total population has increased since the 1970's by about 30 000 inhabitants, the inland part has however had a strong reduction in its population. During 1998-1994, nine municipalities noted a population reduction of 5 per cent; among those who had the highest decrease is Överkalix, one of the

⁹ It is worth noting that Gällivare and, to a less extent, Lycksele’s performance may be influenced by the size of urban structure. Both municipalities have larger urban centers than the other municipalities that constitute the study areas, and therefore, more diversified urban functions.

LWPN municipalities. Birth rate, having significantly decreased during the last few years is followed by a negative net migration, which constitutes a large problem for the region. Birth rate has significantly decreased during the last few years and followed by a negative net migration it constitutes a large problem for the region. The net migration pattern for the coast areas is more balanced than the inland. The inland areas are characterised by a disproportionate age structure as those who frequently move out are young people between 18-24 years old, with women in the majority, while those who migrate into the area are mostly retired or close retirement age¹⁰. In the WPN area, the population reduction has been lesser than the entire North Sweden region but higher than the Swedish average. The LWPN area has experienced a constant and substantial population decline during the last 30 years, about -10 percent per decade, one of the highest in Sweden.

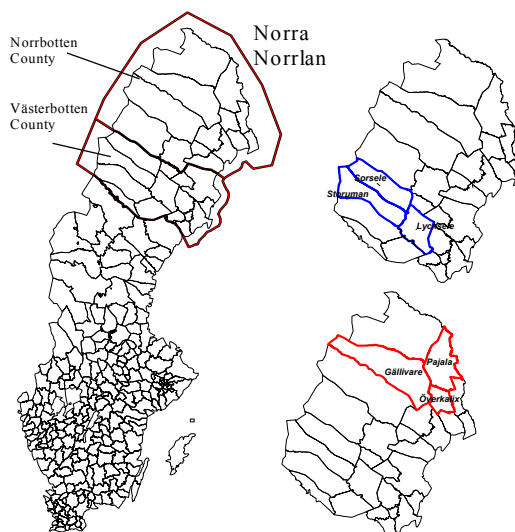


Figure 5 The North Sweden region.

Although a significant improvement of education levels has taken place since the 1980's, the WPN is still characterised by a smaller share of population having a university degree (16 per cent) than the national average (24 per cent), which is still higher than the LWPN's figures (14 per cent). In the entire region more women than men have an academic degree, which may partially explain part of the female labour force deficit in several inland municipalities. In terms of educational infrastructure, the relatively high share of college and universities associated with the introduction of new sectors of the economy, such as electronics and telecommunications, and an increasing educational level among the population constitute a promise to further development in the region. Established at Luleå University of Technology in 1994, the Centre for Distance-spanning Technology, CDT, is the only institute of its kind in Sweden. Research, development and programmes of study are conducted in software engineering, data communications and signal processing. CDT's task is to foster collaboration between IT companies and the University in order to effect the practical application of research results. Another example of technological cluster is the mining town of Kiruna, which has become Sweden's space research centre, with a concentration of high-tech in companies and organisations such as Satellitbild, Esrange, IRF, the Swedish Institute of Space Physics, and the cartography unit of the National Land Survey.

¹⁰ Samlat Program Dokument, Mål 1, Norra Norrland.

Table 2 The North Sweden region: population, size and population density.

	WPN	LWPN	North Sweden region	Sweden
Population (1998)	23844	33132	56976	8 854 322
Size (in km ²)	20617.2	26672.9	47290.1	410934.2
Density (inhab/ km ²)	1.2	1.2	1.2	22

Between 1994 and 1998, more than 50 per cent of the municipalities had an increase of business start-ups. Many inland municipalities, including those belonging to the North Sweden, have experienced a greater establishment of new business than the municipalities along the coast. In the WPN, there were about 10 new enterprises to 1000 inhabitants against 6-8 in municipalities of the LWPN (a partial explanation for this may be the fact that the region belongs to the Objective 6 programme). Even if more and more women choose to start a business is the share of female entrepreneurs still relatively low¹¹. The region is highly dependent upon the public sector as source of employment. The proportion of those publicly employed in the region is significantly greater in North Sweden compared with the country at large, 11 per cent greater for women and 8 per cent for men. The regional labour market is known to be very gender segregated. Male labour force is to a great extent employed in the manufacturing industry while about half of the female labour force in North Sweden works with education and health care, which made the labour market for women extremely vulnerable to cut backs during the 1990's. In the WPN, nine out of ten branches have decreased the total number of employed persons during 1990's while in the LWPN municipalities, all ten sectors decreased. The largest losses were in agriculture, hunting, forestry and fishing followed by non-specified sector and basic infrastructure (electricity, gas and water, etc.). The unemployment rate in the whole North Sweden has dramatically increased during 1990-1999, from 4 to 10. In the LWPN, the unemployment rate reached almost 15 per cent in 1999, including the unemployed labour force engaged in governmental labour market programs against 9 percent in the WPN.

The *North Sweden region* is composed of six municipalities belonging to a larger region known as North Sweden, which have in total twenty-nine municipalities, two Counties, Västerbotten and Norrbotten. The WPN and LWPN municipalities are, as in other municipalities in Sweden, responsible not only for implementation of policies related to urban matters but also for those related to the rural areas, which are part of their territory.

Besides the traditional institutions, there are the parallel ones. The new Sami Council has convened in Kiruna since October 1993 (the Sami community, who were once a nomadic people, Norrbotten county - which includes the LWPN municipalities, is to be considered as the main centre of the Sami culture, particularly in Jokkmokk and Kiruna). Besides the Swedish and Sami languages, a third language, Tornedalen Finnish is spoken in the border region of Finnish Lapland. The region North Sweden is "a melting pot" of Samii, Finnish and Swedish culture, which has roots in the historical development of the territory and continues to affect the self-awareness of the people since the region seems to continuously search for a clearer identity. Still there is much controversy about the region's cultural background. There are those who argue that this diversity is responsible for creating a weak or diffuse regional identity that is often associated with the Northern region. Since the central Scandinavian governments have repressed cultural diversity for centuries, it has been only in recent decades that ethnical local minorities have been able to use their language, express their political rights and traditions and be recognised as a potential for the region. Besides the natural resources, the Sami culture is argued to be of importance in terms of the region's tourist attraction.

It is difficult to judge the magnitude and impact the recent investments will make in North Sweden in terms of economic performance. Certainly in terms of infrastructure, one of the

¹¹ Samlat Program Dokument, Mål 1, Norra Norrland.

largest investments in the WPN area is being made in the Bothnia Railway¹², which will create a link along the coast of Northern Sweden, serving not only high-speed trains but also heavy freight transportation. In the LWPN, comparable investments have been jointly made by the county administration of Norrbotten, the county council, the region's trade and industry sector and Luleå University of Technology. The effort is co-ordinated via a development company, IT Norrbotten, with support from the EU structural funds. Four municipalities of DORA study areas (out of six) have airports with daily flights to Stockholm (Storuman, Lycksele, Gällivare and from 1998, Pajala).

The northern parts of Sweden have traditionally been known as dependent on State through different types of regional policies since the 1960's. However, during the last few years an attitude change seems to be happening among those who live, work and make decisions there. This change is concretely reflected in several types of policy documents as well as in actions that are taking place in the area. The project "The guide in Norrbotten", "Vägvisaren" is a good example of this attempt to change peoples' attitude, making the population more active and responsible for their actions in order to have a more prosperous future for the region.

More jobs and increased prosperity through business incentives is the goal of the *Regional Growth Agreement* for the WPN. The agreement is also to contribute to equal opportunities and ecologically sustainable development. The programme has five working areas: education and skills, as well as research and development; infrastructure, technological development, technology dissemination; environment and market; business development, financing and venture capital; living environment factors: service and culture for growth.

From a European perspective, the North Sweden region is a receptor of structural funds through the Counties of Västerbotten and Norrbotten. For the period 2000 – 2006, the total number of objectives decreased to three (1,2 and 3 Objectives) as well as the number of common initiatives to four: Interreg III, Leader +, Equal and Urban. The program Objective 1 in North Sweden was developed to focus on the following areas: development of infrastructure (including IT), development of business; competence development and employment, development of rural areas, environment and culture and the Sami community.

2.3 REGIONAL CONTEXT AND STUDY AREAS IN SOUTHEAST SWEDEN

The main potentialities of Southeast Sweden are, the natural resources, wood, watercourses and lakes, its location (Figure 6) and culture. The region belongs to the so-called "Southeast highland", rich of lakes and watercourses. Quality of life is a concept that can also be linked to the region. The closeness to nature with a large area of forest and well-preserved historic environments make the region an attractive place to live. The region has also other potential resources for attracting tourists. The diversified landscape with alternating cultural traditions, the lakes and forest is unique from a European perspective and has a clear attractiveness especially for the international tourism. The Southeast Sweden region is located in the periphery of Europe although when compared with other parts of Sweden, is relatively close to the European continent and the Baltic countries. The size of the region is 17000 km², which roughly equals to two-thirds of Belgium. In terms of infrastructure, the Southeast region has a relatively well-built road network, which means that one may reach Stockholm region in 3-5 hours and Malmö-Copenhagen region in 4-5 hours. By train, the travel time to the referred areas is respectively 3-6 hours and 4-6 hours. There are few daily flight connections to Stockholm and Copenhagen from cities close to the region. The region has also several important connections with harbours. These characteristics associated to the "Smålandsk way of life", that stands for the people's resistance and perseverance, is said to compose a unique strength for the region. However, the region also has *barriers* that work against its strengths. The ageing, sparse and decreasing population associated with low

¹² See "The Bothnia Railway", <http://www.vasterbotten.se/>

formal educational levels of the population constitute its main constraints. The region is also known by the traditional and low diversified industry sectors, based on wood industry and manufacturing, activities that have an underdeveloped export and that, in terms of labour market, create a lack of demand for female labour force and limited demand for skilled labour force.

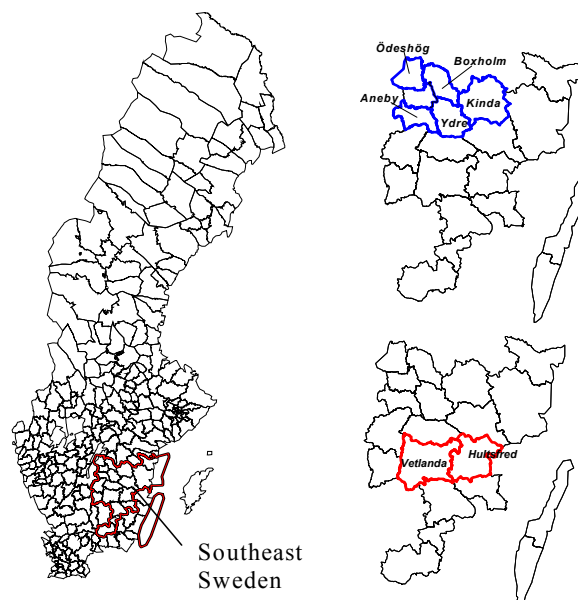


Figure 6 The Southeast Sweden region.

The Southeast region does not constitute a "natural" or a homogeneous administrative region, it is rather an aggregation of neighbouring municipalities located in the boundaries of several Counties that share quite similar historical and socio-economic characteristics. For instance, they have been characterised by losses in population during the last decades, a greater dependency upon 'low knowledge intensive sectors', such as forestry, basic industry, agriculture, and have an overrepresentation of low educated labour force. However, this picture is far from homogeneous. There are a group of municipalities – the WPSE, that are better in dealing with their problems and showing slightly better indication of economic performance than the rest, such as the municipalities that are part of LWPSE.

Although the demographic changes follow a common regional trend, they are not equally distributed among the municipalities. Within the WPSE, as in many other small municipalities of the Southeast, the population decline began already to be visible in the 1980's, as a substantial population out flow to larger urban centres occurred, followed by a low inflow of population to smaller municipalities during the 1990's when the net migration reached -7.2. The recovery of inflow of population between 1994-95 to the region can be associated to the peak of in-migration from outside Sweden, mostly from formers Yugoslavian republics while the relatively high outflow during the same period of time can be related to the recession that started in the beginning of 1990's.

Significant improvements in education levels in Sweden have taken place since the 1980's although the WPSE municipalities still have a lower proportion of the population with post secondary education (14 per cent) than Sweden as a whole (24 per cent) while it is slightly higher than the LWPSE (13 per cent). In terms of educational infrastructure, besides the University of Linköping (part of WPSE), the Southeast Sweden region has also two other educational institutions at university level, Jönköping University (composed of three schools, the school of education and communication, the school of engineering and Jönköping international business school) and Kalmar College that offers courses in other small municipalities, such as, in Hultsfred (LWPSE). The Southeast region receives contributions from the University of Växjö, which is located in a neighbouring region.

In terms of business start-ups the WPSE municipalities present very similar figures to those in LWPSE and at the national level. The region's socio-economic structure is characterised by a dependency upon primary and secondary sectors (agriculture, forestry and manufacturing industry) while other types of industry and the private service sector are underrepresented compared to Sweden as a whole. These branches have lately had a weak employment development, which has not been compensated by other more expansive branches. In terms of unemployment, the WPSE follows the national trend during the 1990's, but continues to be slightly lower than that of the other municipalities of the study area when compared to the national unemployment rate.

The municipalities of WPSE are part of three Counties Östergötland, Jönköping and Kalmar. The counties of Östergötland and Jönköping are politically organised in a very similar way. The county council constitutes of the popularly elected regional level and is responsible for carrying out the region's common tasks. The county councils are responsible for matters of common interest. The main concerns are primary health and dental care, public transport, culture, higher and upper-secondary education, tourism, the environment, support for business and industry and promoting regional growth and development. In the attempt to develop the regions economically, the county councils make major efforts "to support and stimulate the development of business and industry in the regions. The goal is partly to make it easier for companies to fully exploit their opportunities, but also to stimulate new enterprise and thus increase the number of jobs and the revenues of the region"¹³.

From a European perspective, the study area is a receptor of structural funds that involve a larger area denominated as Southeast Sweden, administratively composed by the Counties of Jönköping, Östergötland and The Regional Council in Kalmar county. As in many other municipalities that are covered by the Objective 5b¹⁴ in the Southeast Sweden, the study areas are targeted by policies at regional and local levels that involve measures for making the region more economically dynamic. These measures include programs targeting the development capabilities of small companies, increasing the start-up of new business enterprises, strengthening competitiveness with the help of new technology, increasing the internationalisation of business enterprises and renewing, developing and adding value to products. Sectoral policies, such as those related to vocational training and similar programs have also been implemented nation-wide in order to enhance the labour force skills and increase their potential to regain jobs. As in the WPSE municipalities, the LWPSE develop several projects in co-operation with the Counties often partially financed by EU projects. The SME-initiative (Objectives 4, 5 and 6) is an example that includes the WPSE municipalities. The project is a common initiative to increase the competitiveness of SME to be able to adapt to the EU market and international competition in general. These municipalities are also target of the project ADAPT which stimulates new solutions in the labour market by increasing the labour force competence and improving the ability of enterprises in co-operation at transnational level. In the LWPSE area, several municipalities have taken part of the LEADER II project as have the Baltic Youth Assembly, which deals with the exercise of democracy among young people in southern and eastern Baltic sea region, in order to obtain more involvement and influence in an ever increasing integrated area.

¹³ <http://www.lf.se/english/coucou.htm#Regional> Welfare.

¹⁴ In 2000, a new program area started. The old 'Objective 5b area' was combined with the previous 'Objective 2', having a wider goal and a larger territorial basis. The new objective 2 will focus on industrial regions with structural problems (current Objective 2) and rural areas with negative development (current Objective 5b).

3. NORTH SWEDEN

3.1. ANALYSIS OF FACTORS

In this section, each factor is systematically addressed taking into consideration the particularity of each study area in North Sweden. The analysis' main focus is on elucidating differences between the study areas for each factor and also providing ground for the overall relevance of each factor to explain differences in economic performance between the study areas. The description of each factor contains the following structure: (i) presentation of the factor hypothesis, (ii) description and analysis of hard statistics pointing out differences (or not) between the areas (when available), (iii) official information from independent sources, and, (iv) selection of relevant citations from interviewees giving support for the analysis.

3.1.1. Natural resources

The initial hypothesis here was that the dependency of the region's economy upon natural resources varies based on each region's specialisation, but also of the region's own capacity of finding new forms of exploitation of these resources, through tourist activities, for instance. The DORA study areas are quite different not only in terms of availability of natural resources but also in their capacity of finding new ways to exploit these resources.

- Availability of natural resources

Natural resources have historically played an important role in North Sweden's economy. The region's land ownership structure has its roots in forestry and mining activities. The region's natural resources (ore, timber and hydro-power) have largely formed the basis of Sweden's wealth and economy during this century and especially forestry is still an important exporting sector in Sweden (Table 3). Nowadays, these resources contribute in different degrees and ways to the region's economy. North Sweden has also been seen as a tourist receptor defined mostly by its peripheral location and natural landscape (Pettersson, 1999). The reasons behind leisure trips to northern parts of Sweden are in fact related to its variety of natural landscapes or activities related to nature (Turistdelegationen, 1996).

Table 3 Land use in North Sweden, 1998.

	Agriculture	Pasture	Forestry	Others
WPN	0,4	0,1	47,2	52,3
LWPN	0,2	0,1	39,8	59,9

Source: SCB, Markanvändningen i Sverige, p. 103-110.

Traditionally the WPN municipalities are characterised by having a nature that promotes tourism, such as skiing and fishing and hiking (during the summer). Infrastructure for tourism already exists and, in certain cases, such as Storuman (Tärna Mountains¹⁵), a well-established industry exists that took the first steps in the beginning of the nineteenth-century. Storuman and Sorsele are typical winter resorts – part of the Swedish 'mountains regions' *ffjällen* and are part of Europe's largest nature reserve, *Vindelfjällen*.

- Land ownership structure and price

Forestry dictates the patterns of land ownership in North Sweden. About 30 percent of the forestry territory in Sweden is located in North Sweden (14,1 per cent in Västerbotten county and 15,8 per cent in Norrbotten, SCB, 1992; Västerbotten 3 602 000 ha and Norrbotten 3 159 000 ha, SCB, 2001a). A large amount is composed of natural reserves and national parks while others are partially or fully exploited by enterprises. While in LWPN 60 per cent of the total area of the forestry are owned by enterprises and joint-stock companies, the WPN is dominated by State ownership (Table 4). Even though land price seems to be influenced by land ownership, (Table 5 - land price is higher in WPN area), few interviewees

¹⁵ Arell (1996) presents the evolution of tourism in the Tärna Mountains looking at the actors' perspectives, from a local and to some extent, a relatively close arena, to an arena which is exposed to forces coming from national as international levels.

see this as a problem since it has been unchanged for many decades and land ownership structure is an issue taken for granted (Table 6).

Table 4 Total area of forestry by type of enterprise, North Sweden.

	Joint-stock					Others
	Enterprise*	company**	State***	Municipality	Church	
WPN	19,7	14,1	56,9	0,5	0,3	8,4
LWPN	52,9	7,0	33,9	0,1	0,2	6,0

Source: SCB, 1992.

* Ownership of one or several individuals, ** Includes also State ownership, ***State authorities, including market oriented institutions.

Table 5 Sold agricultural real estates by settlement condition in North Sweden (Values in SEK thousand)

	Built area	Non-built area
WPN (Västerbotten county)	635	527
LWPN (Norrbotten county)	560	279
Sweden	1 130	504

Source: SCB, Fastighetsprisstatistik, 2000.

Table 6 Agricultural enterprises by size (%), North Sweden.

	2,1-10 hectares	10,1-50	50,1-100	>100	
WPN		59,7	37,1	3,1	0,0
LWPN		66,4	30,9	2,6	0,0

Source: SCB, Lanbrukets företagsregister, 1999.

- Environmental legislation and planning restriction

Even though the WPN municipalities include large areas that are considered of national interest (specially protected by law - nature reserves), interviewees unanimously agree that the special environmental legislation of these areas is necessary and in no way this constrains the area's economic development. Similar opinion had the interviewees in the LWPN area. Even though the WPN has few more natural reserves (Table 7), the LWPN area (Norrbotten county) contains the largest number of reserves with restriction to use (Table 8).

The LWPN municipalities are characterised by more traditional forms of exploitation of natural resources than the WPN's, such as forestry and mining. Even though the tourism industry has also been recognised as an economic alternative, all still seem to agree that tourism can be a solution when everything else proves to be unsuccessful. At same time, many seem to recognise the potential of a newly emerging type of economy that permeates the 'experience'¹⁶, rather than merely providing in classical fashion, any good or service. Individuals pay for being transformed through experiences. Regardless of the study areas concerned, several interviewees still believe that the tourism industry is not enough developed. A good example often pointed out by interviewees in LWPN municipalities was the Mid-night sun event, which is typical for several municipalities under the Swedish Arctic polar circle, including the LWPN's (Figure 7).

¹⁶ The experience of going to ski, hike or participate on city excursions is actually a means of eliciting something that is more valued than the experience itself. This could be, for instance, an increase in knowledge, in well-being or in mental health (Pine II and Gilmore, 1999).



Figure 7 Midnight sun in North Sweden: an international appealing tourist attraction.
(*Tyskar på snabbvisit till midnattsolen*: Germans in fast visit to Midnight sun)
Source: Dagens Industri, 25th May 2000.

Table 7 Nature reserves in North Sweden, 1999.

	Total	Area (Hectare)
WPN	40	564556
LWPN*	32	404458

Source: SCB, Skyddad Natur, 2001.

* Gällivare has also two National parks with an area of 390269 hectares.

Table 8 Protected land by county, 1997.

	Nature reserves	Nature conservation		Wildlife protection	Areas with interim protection
		Land area (hectare)	areas		
Västerbotten	125	688 151	6	2	7
Norrbottn	147	792 096	2	58	0
Sweden	1964	2 292 225	124	1065	44

Source: Naturvårdsverket, in: Statistical yearbook, 1999.

It is also important to point out the importance of water resources (for production of energy) to the regional economy, especially to the WPN municipalities (Table 9). In the 1970's, when the oil crisis hit the world economy, the use of Swedish water resources for producing electric power intensified. Particularly the rivers (Umeälven and Luleälven) that drain Storuman, Lycksele and Gällivare, host a considerable number of hydro power plants. At the same time, Vindelälven is a particular attraction in the region since it is the only large river in North Sweden, which is excluded from such exploitation.

Table 9 Share of energy sector of GNP's business sector 1996.

County	Share (%)
Västerbotten	6,6
Norrbottn	9,5
Sweden	3,3

Source: SCB, Nationalräkenskaperna.

There are also indications that interviewees in the LWPN area think in a more limited framework about possible new ways to exploit natural resources than the ones in the WPN. Their views are more often dictated by the current traditional economic activities (see citation below), which hardly view nature/landscape as a basic asset in the 'experience economy'. When asked if they agreed that natural resources were used nowadays in a more creative way than were before, several interviewees in LWPN area pointed out the new

(more refined) products of wood as examples of such novelty. This reflects not only the fact that the LWPN municipalities are dependent on the traditional economic activities in comparison with the WPN municipalities; but also, it reflects how local actors fail in believing (or envisioning about) in new ways to make the area economically viable exploiting rationally the area's natural resources.

Yes, if I didn't mention the forests I would be foolish indeed, for that is what the whole enterprise is built upon. **Can one say that the natural resources are used in a more creative way today than before?** Yes, they are of course. Those who know the branch are talking about the sawmills, and above all the major sawmill industry, such as ASSI Domän, and the others who have sawed what they could get from the woods and later sold everything. I believe that a shift has occurred there and that nowadays they ask what the customer wants and that they try to use the raw resources for it. They refine products for the demands of the market, but a change has occurred. And there is more change in the small companies that are adapted directly to the customers (Entrepreneur, LWPN)

Do you feel that nature is used in a more creative way today than before? Yes, it is. **In which way?** Well, we have marketed these fishing rivers in a completely different way and tourism has begun to go quite well. However, hunting should also be marketed in a more creative way, the fishing part of tourism is well developed. But nature should be utilised more, and even hiking paths, the Northern Lights as well as hunting, which is still a bit under developed, could be marketed - while fishing is going well. It's all about getting started and there is more development underway (Public official, LWPN)

How would you compare the natural resources here with those in other regions? As far as forestry and raw materials are concerned, I believe that it is rather exploited already. ASSI Domän has been here for years and I don't know how much more they can exploit the area - that I cannot answer (IT Enterprise, LWPN)

The natural resources such as raw goods are not so very different from those in the rest of Sweden, but there is a special environment here. The environment can be offered to our customers for training centres and conferences - and as such, that is appreciated - people think that it's fun to drive snow scooters even if they have to drive in a line with a leader ahead and 40 scooters behind, "tooting" their horns. They consider it great fun anyway. They tell their friends, "It's fun to travel to Lycksele for training centres and conferences," and that's the way the word is spread. Nature is one of the assets we have here. One has become more "service-minded" every year that passes, every year it just gets better and better and one can find more adventuresome facilities here now than there were ten years ago. It's happening in the entire part of North Norrland, that people are beginning to understand that you can attract tourists to come here and pay for things, if we just organise ourselves (Entrepreneur, WPN)

It's the forests, the beautiful nature and the hotels are very good about using these resources and we get many Italians and other nationalities to come here, otherwise, it's not so very remarkable (Entrepreneur, WPN)

Forestry, minerals and hydropower. Both for production and experiencing, that is the realisation we have arrived at, that we have a great resource in our nature and natural surroundings, which can be sold. Today we care for natural resources in a better way than we did before. Earlier they were used as consumer goods and today we try to preserve and value our resources locally (Municipal politician WPN)

Wood (for production) could be used in a much more efficient way - one could treat and process it here instead of sending it to another area. One might also market the forest as an experience in a completely different way - looking at it in another manner. I believe that there are those who would come here because it is exotic (Public official, WPN)

4.1.2. Human resources

Our initial hypothesis was that human resources constitute an essential and decisive factor in economic performance. Human resources possess both quantitative and qualitative characteristics that contribute to growth generation and economic performance. In this study, this was assessed through three basic attributes: Demographic structures and evolution; Labour force structure and participation rates, and, Human capital reflected in knowledge and skills embodied in the population and labour force. Virtually in all three attributes the WPN area (leading) performs better than the LWP one (lagging).

- Demographic structure and evolution

The study area of North Sweden has a population of about 57 000 inhabitants and has had a drastic reduction since the 1970's. Birth rate has significantly decreased during the last few years and is followed by a negative net migration that constitutes a large problem for the region (Table 10). The net migration pattern for the coast areas is more balanced than the inland. The inland areas are characterised by an age structure since those who often move out are young people between 18-24 years old, predominantly women, while those who move in are mostly retired individuals or those close to retirement age. Only in the 1990's,

the population of North Sweden decreased in 9 per cent, the highest figures are found in the LWPN (Table 11).

Table 10 Net migration (per cent)

	WPN	LWPN	North Sweden	Sweden
1970-1979	-6.5	-14.0	-11.0	1.5
1980-1989	-4.8	-7.8	-6.5	1.7
1990-1999	-7.0	-8.3	-7.8	2.4

Table 11 Population change (per cent)

	WPN	LWPN	North Sweden	Sweden
1970-1979	-4.0	-9.3	-7.1	2.7
1980-1989	-4.5	-7.9	-6.5	2.5
1990-1999	-8.2	-9.7	-9.0	3.1

Table 12 Population by age classes – WPN and LWPN areas - 2000

		0-15	16-24	25-44	45-64	65-
WPN	Lycksele	19,9	9,8	23,9	26,3	20,2
	Sorsele	18,5	8,7	21,3	25,4	26,0
	Storuman	18,0	9,5	22,6	27,2	22,7
	Västerbotten	19,7	12,1	26,0	25,0	17,3
LWPN	Överkalix	16,7	8,1	20,8	28,1	26,3
	Gällivare	18,9	8,6	25,2	28,7	18,6
	Pajala	17,5	7,9	19,5	28,8	26,3
	Norrbottn	19,1	10,2	25,7	27,1	17,9
	Sweden	19,6	10,4	27,4	25,4	17,2

Although depopulation and disproportionate age structure are typical characteristics of the the northernmost peripheral rural Europe, the worst scenario is found in municipalities belonging to the LWPN area (Table 11). People living in these areas are aware of the importance of demographic structure and population evolution to the regional economy, since depopulation has been one of the most important challenges during the last four decades. In certain areas, the imbalance is not limited to age (Table 12) but also gender (Table 13). Pajala, one of the LWPN municipalities, is national known by its deficit of women, who often migrate temporarily to larger centers looking for education and jobs. The poor diversification of the local labour market associated with 'a traditional male culture' (see the dialogue below) are factors that contribute 'to keep away' the female labour force.

Table 13 Netto migration of youth (18-24) by gender 1995-1999 from/to other counties.

		1995		1996		1997		1998		1999	
		Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
WPN	Lycksele	25	-35	-23	-42	-19	-53	-40	-29	-46	-53
	Sorsele	3	2	-8	-4	-4	1	-17	-8	-9	2
	Storuman	-2	-8	-17	-23	-5	-9	-20	-24	-14	-26
	Västerbotten	357	286	212	160	336	236	273	82	191	8
LWPN	Gällivare	-42	-54	-49	-55	-48	-68	-57	-50	-49	-79
	Pajala	-27	-30	-30	-29	-32	-31	-14	-37	-30	-21
	Överkalix	-17	-8	-8	-12	-21	-21	-1	-9	-15	-17
	Norrbottn	-302	-319	-117	-415	-190	-436	-247	-430	-283	-511

Can you elaborate a bit more about the demographics in Pajala, what does the situation look like ? Well, about 35per cent of the population is elderly, that is 65 years and above in Pajala municipality and these figures are increasing. And the need for treatment is rising very much. This is occurring of course at the same rate that tax revenues are decreasing, because we are losing people all the time, this is a problem which we absolutely cannot shut our eyes to and the young people are moving out from the area. I believe that if one lives in Stockholm, one wants to live in New York, and if one lives in New York, one wants to live in outer space -

you always want to be someplace else. It's part of living. But it is all about what attitude you have when you move and if you come back here. This kind of pyramid is turned upside down.

Can you tell me a little about the division by gender ? Yes, it's always so unfortunate (laughter). Yes, the women are moving out, that's for sure. There are many young bachelors in Pajala, and it's a part of the picture of that town, just as chewing tobacco is and wearing sports clothes by Helly-Hansen (Journalist, Pajala, LWPN).

What does the population make-up look like when you consider the age and gender composition, and the level of education? The problem is that the average age is too high, which in turn is because the young people haven't got work and have moved. Very much is owing to the fact that higher education isn't available here and young people have to leave and thus there are a large percentage of those that have already established themselves in the areas where they have educated themselves, or in another location. This also makes for a fewer amount of youthful leisure and entertainment activities available here in the area, and so the young people leave. Those who do remain are those who are interested in outdoor life with hunting and fishing and it is of course mostly the young women who have left the area (Business entrepreneur, Överkalix, LWPN).

Do you believe that the population composition affects the economic development? Yes, if only for new ideas or turning to new ways of thinking, we need younger people who take the initiative, who know how to assert themselves or at least know how to ask questions (Employee in a large enterprise, Överkalix, LWPN).

- Labour force structure and participation rates

The initial assumption assumed here was that labour force structure and its characteristics (age and gender) relate to economic performance. It was also expected that high participation rates of the labour force would tend to influence positively the economic performance of the area. The leading area should have a better performance in activating labour force than the lagging one.

The economically active population (employed and unemployed) has been quite constant during the last part of the 1990's in Sweden. However, employment change and participation rate have been lower in LWPN than WPN area (Table 14).

Table 14 Employment change (per cent)

	WPN	LWPN	North Sweden	Sweden
1985-1992	-7.2	-19.2	-14.0	-3.7
1993-1998	-2.1	-9.4	-6.2	4.7

The large population reduction, with low birth rate and out-migration, leads consequently to a decrease in the labour force. As Table 15 shows, independent of the method employed in the projections (Nygren and Persson, 2000)¹⁷, a striking population decrease (more than 50 per cent) in these local labour market areas is expected to occur up to the years 2010 and 2030. The six municipalities of Norra Norland constitute six local labour market areas, of about 60 thousand inhabitants in 1999 and can be constituted by not more than 21 thousand in the year 2030, if these labour markets continue to decrease in size (alternative B). It is important to stress that this dramatic population decrease due demography is the most important factor behind dynamics of these rural areas in North Sweden. This fact per definition is a consequence of bad economic performance in the past.

Table 15 Population projections for the Local Labour Market Areas (Thousand inhabitants)
Alternatives B/D

	WPN	LWPN	North Sweden	Sweden
1999	27	33	60	8318
2010	23/24	25/27	48/51	9047/9047
2030	12/16	12/15	21/31	9464/9465

¹⁷ The alternative B is based on a more population concentrated trend to the largest Swedish urban areas, based on a prolongation of the observed migration pattern during 1997-99 while and alternative D, represents a more balanced regional trend, based on a prolongation of the observed migration pattern during the whole period 1985-89.

The North Sweden regional labour market is known to be very gender segregated. Male labour force is to a high extent employed in the manufacturing industry while about half of the female labour force in North Sweden works with education and health care, which made the labour market for women very exposed to cut downs during the 1990's. The share of public employed in the region is significantly greater in North Sweden compared with the country, 11 per cent greater for women and 8 per cent for men. Several State authorities are located in North Sweden, among them, the National Security organ, had also cut downs with serious implication for male employment of the region. Table 16 illustrates the difference in employment intensity by study areas and gender.

Table 16 Employment intensity by gender (%), North Sweden 1999.

		Female	Male	Total
WPN	Lycksele	74,7	75,7	75,2
	Sorsele	75,5	75,7	75,6
	Storuman	71,3	69,6	70,6
LWPN	Gällivare	70,7	70,2	70,4
	Överkalix	69,3	66,6	67,8
	Pajala	60,7	55,7	57,9
Sweden		71,6	76,2	73,9

Source: SCB, Sysselsättningen i kommuner och län, 1999.

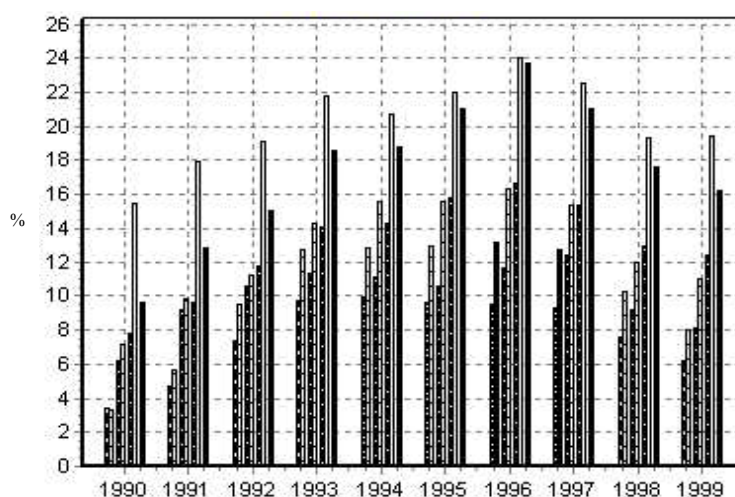


Figure 8 Total unemployment 1990-1999 (%).

Left to right: Umeå, WPN region (Lycksele, Sorsele, Storuman) and LWPN (Gällivare, Pajala and Överkalix).
Total unemployment (bestående av öppen arbetslöshet samt personer i åtgärder)

Table 17 Unemployment rate (per cent) 1990/1999

	WPN	LWPN	North Sweden region	Sweden
Labour force in governmental financed programs	4.3/8.8	9.8/14.6	4.4/10.5	3.2/7.3
Unemployed labour force	2.3/5.7	4.9/9.0	1.8/7.1	1.3/5.0

The region's unemployment rate is one of the highest in the whole country. The LWPN study area had during the 1990's one of the highest figures (Figure 8 and Table 17). Figure 8 compares the study areas with one of the largest regional municipalities: Umeå, illustrating the status of DORA study areas in comparison with one of the most dynamic centres of the region. Most striking is not that the LWPN area had the highest unemployment figures of the region, but rather that it concentrated one of the highest figures for long-term unemployment (Figure 9), at least higher than the WPN in 1997.

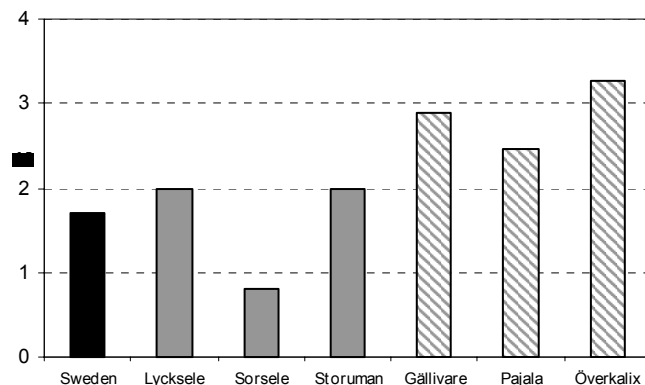


Figure 9 Long time unemployment 1997 (>100 days unemployed labour force)
From left to right: Sweden, WPN region (Lycksele, Sorsele, Storuman) and LWP (Gällivare, Pajala and Överkalix).

One important dynamic aspect in terms of labour force structure is how well the labour force is capable of matching the labour market demands over time. As may be expected, the WPN municipalities perform better¹⁸ in activating labour force than the LWP areas and than the regional average for North Sweden. This might be related to the fact that the Local Labour Markets (LLM's) of WPN areas are characterised by (1) relative high business start-ups during the 1990's; (2) reduction of the surplus of unemployed labour force through out-migration; and (3) high efficiency of the municipalities in placing the unemployed population in governmental financed programs which helps to soften the statistics of unemployment. There is a fourth explanation, i.e., that in places with a biased age structure leading towards an elderly labour force, the high rate of retirement of labour year tends automatically to lead to more vacancies that need to be filled by new recruitment. This seems to be especially true when comparing their performance in activating students within unemployed labour force. The LWP Local Labour Market not only shows a worse performance compared with the whole region and the national average but also a more heterogeneous (or more unstable and less sufficient) performance pattern than the one for WPN area from 1991 to 1996. However, the LWP had a similar performance to the national performance in terms of employing people with primary education. This relatively good performance could be explained by the predominance of traditional economic branches in the area (mining and quarrying, manufacturing, forestry and transport and communication) and also by the existence of a great share of labour force with low education levels - which means that, in relative terms, part of labour demand matches quite well the labour force supply. Besides, as one of the interviewees pointed out, several programmes are financed by public funds for this "un-placeable" labour force (see citations below). Regardless of the study areas, interviewees are aware of the fact that there is a chronic overrepresentation of long term unemployed labour force, which will hardly find a job.

What does it look like today, the supply and demand of the labour force ? Does it work out well in today's situation? Well, there are about 400 unemployed in the municipality. Of them, there are about 300 to 250 who are completely unemployable. They just cannot be put into jobs. That's because of alcoholism or other factors and there are many considerations that make it difficult to find jobs for them. The others, say about 200, well about 100 of them could, with the help of training programs find jobs in existing industries. That's where it stops. The jobs that we have to offer just don't suit the local labour force, and that is why all new recruiting is done outside of the home parish, that's the way it is.

What steps are being taken to employ these 250 "unemployables" ? Well, there is the traditional way, you know. We have a very large "social welfare business" which swallows many of the cases and that is good. Then we have the Board of Forestry, which places people where they are able to, in special API employment measures, and

¹⁸ Details of this analysis can be found in Ceccato and Persson (2000), which is an assessment of the performance of Swedish rural Local Labour Market areas (LLM) in activating labour force as an indicator of economic dynamic of the regions. The capacity of activate labour force indicates the ability that each region has to invest and look after its own human capital. The LLM Performance Index is used as a description of the activation rate of nine pools of labour force in LLM areas and is considered here as an indicator of the region's economic dynamic.

that is of course good, but it only circulates people and they come back to the starting point at any rate. But that is the way things are, I believe that we must, and it may be rather cruel to say this, however, somewhere we must not accept unemployment - but this must not be allowed to happen at any price. We cannot use 80 per cent of the public measures to obtain an employment for the last 20 per cent, that's not feasible either, is it? I am very pleased with the way the job centres have handled matters positively up to now. I think that one should focus on their role as recruiting centres and training centres and so on. Then they have an internal problem. They have a great problem and that is that they have divided up their internal accounts into two halves, you could say. In one, they have all available monetary resources for training allowances for those who are unemployed, but not a crown left for expenditures, that would be the teachers, the training locales and the educational material. So that this means on the whole, that we can employ as many as possible and pay their wages, but we cannot employ people to supervise them or we cannot hire the people with greater competence. We have managed to work it out at any rate, but then we have arranged things on a voluntary basis, in order to get those who are qualified to come here (Public official, Överkalix municipality).

- Human capital

The starting point here was that 'human capital' invested in the labour force (education, training, skills) would contribute to its improvement and tend to influence economic performance in the area positively. How do the study areas differ in terms of human capital?

One good indicator of the population's educational level is the supply of schools and universities. Table 18 shows the supply of post-secondary schools and temporary university courses by study areas. The study areas perform similarly: both study areas have post secondary schools (except Sorsele) and all municipalities import temporary university courses (exception is Överkalix) in the near future. As Table 19 illustrates the demand for university education in both study areas and by county is slightly lower in the LWPN municipalities.

Table 18 Supply of high schools and temporary university courses by study areas.

High School		Temporary university courses
Gällivare	Välkommaskolan	Euro Sky University (sky university) Lapplands kommunalförbund /Umeå Universitet
Pajala	Laestadiusskolan	Lapplands kommunalförbund / Luleå tekniska universitet och Umeå Universitet
Överkalix	Överkalix Gymnasieskola	-
Lycksele	Tannbergsskolan	Umeå Universitet /Lär Centrum/ Akademi Norr
Storuman	Luspengymnasiet	Coming soon - Akademi Norr
Sorsele	-	coming soon - Akademi Norr

Table 19 Students starting university 1999-2000 in 1000 over 18-64 age population (Andel högskolenybörjare i promille av befolkningen 18-64 år, 1999-2000)

		Per cent
	Lycksele	15,3
WPN	Storuman	14,9
	Sorsele	13,9
	Västerbottens county	14,4
	Gällivare	9,7
LWPN	Pajala	9,4
	Överkalix	11,0
	Norrbottens county	13,2
	Riket	11,5

Source: SCB, Education statistics.

The sources of investments in labour force skills and education are from supra-national (EU) to municipal levels, with small variations among the study areas. Figures from 1998 shows that expenditures of the Swedish national budget and expenditures related to labour market and labour force skills in North Sweden study areas is in general higher than the national average (see section 3.1.4, Investments). This can be partially explained by the fact that North Sweden's unemployment rate in the study areas is higher than the rest of the country. The same reason may explain the difference in expenditures in labour market and working life between WPN and LWPN. Another interesting area to look at is the one on Education

and university research. Here the level of spending is significantly lower than the national average showing that, compared to the national average, few institutions of higher education are located in the North Sweden region (Table 20), (e.g., the 2 per cent of the Swedish national budget are spent in LWPEN area may be explained by a research centre located in Gällivare).

A slight difference between the study areas can be found in 1999 for the category 'education'. The WPN spent more money in education than the LWPEN (Table 20), whilst at municipal level, the costs for education seem to be higher in the LWPEN than in the WPN. Besides the traditional sources at county Council level, all Swedish municipalities are eligible for projects in the RGA (Regional Growth Agreements). By comparing the two RGAs (where the Counties for WPN and LWPEN are located) the common focus of the two study areas on development of knowledge and competence is evident. Two equally important areas of investment are found: education and development of competence as well as development of local SMEs – when comparing the two areas, one sees that the amount towards 'education and competence' in the leading area (WPN) is two percent higher in the LWPEN.

Table 20 Areas of expenditures of the Swedish national budget and expenditures towards labour market, labour force skills and education in 1998, Euro per capita

Area of expenditure	WPN	LWPEN	National average*
Labour market and working life	984 (12)	1098 (13)	631 (7)
Study support	232 (3)	221 (3)	291 (3)
Education and university research	103 (1)	168 (2)	365 (4)
Total	8106	8559	9447

Data source: NUTEK (2000b)

* Data source: Aggefors & Bodevik (2000), p.59

A region that performs economically well must also have a great part of the labour force matching the local labour market, which requires, among other things, an educational infrastructure adapted to the region's demands. Figure 10 illustrates differences in perception of entrepreneurs and politicians on how well the high school education is adapted to the local economy from an independent survey¹⁹ performed by the Swedish Confederation of Swedish Enterprise - SAF, Företagarenkät, SAF/Demoskop (1999)²⁰. One interesting finding is that either entrepreneurs or politicians don't believe that the high school education is adapted enough to the requirements of the local market (the only exception are politicians in Storuman and Överkalix). In both study areas, entrepreneurs are less satisfied than politicians. Differences in perception are evident among LWPEN and WPN among entrepreneurs, who are the ones that directly depend on labour force skills and education (demand side). The lowest averages are found in the LWPEN municipalities, which certainly indicates the area's disadvantages in terms of educational infrastructure, creating a less attractive area not only for entrepreneurs but also for the future of the young local labour force.

¹⁹ The survey was sent to 200 businesspeople in each municipality. It was even sent to all the politicians in the Municipal Board. The business survey questionnaire was sent primarily to the member companies within Swedish Industry. If there have not been at least 200 member companies in the municipality which is to be surveyed, a selection of other companies and places of work has been used to complement the study. The selection was done at random and reflects the company structure of the municipality. On the other hand, consideration was not taken into account as to the branch of industry because in many municipalities 200 companies comprise a considerable amount. The rate of reply to the questionnaire was on average 60 percent that is approximately 110 responding companies.

²⁰ <http://www.saf.se>

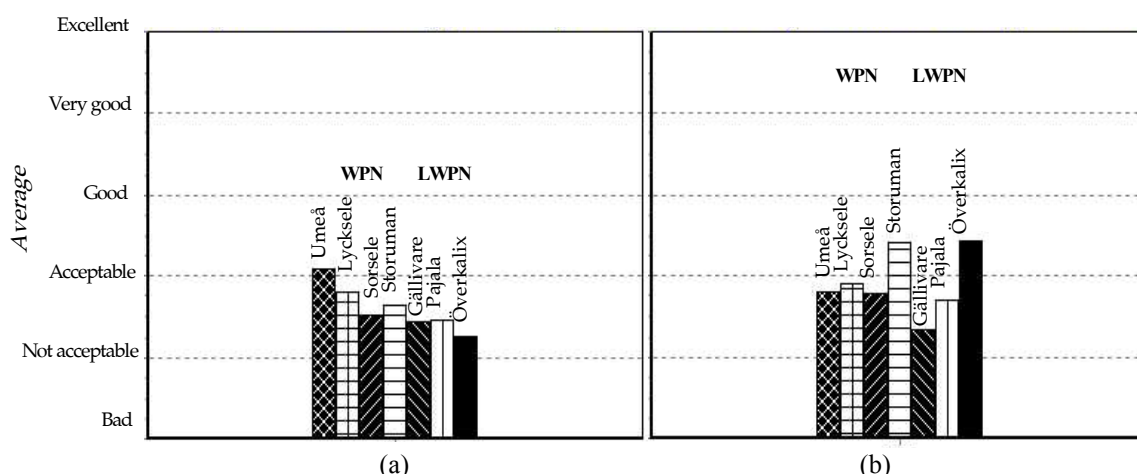


Figure 10 Perception of how high school education is adapted to entrepreneurs' needs according to entrepreneurs(a) and municipal politicians (b).

Source: SAF, Företagarenkät, SAF/Demoskop.

Among the interviewees, the majority recognises the lack of (or deficient) educational infrastructure in their municipalities. When higher education infrastructure exists, it is often uni-faceted – that is, it is limited to professional courses directed to the immediate needs of the local market. This maybe seen as a good indicator if the labour force was absorbed at the same speed as it was supplied.

Umeå University and Luleå University of Technology are the driving forces behind the industrial, commercial and social development of North Sweden. More than 30,000 students and researchers are involved in advanced studies and spearhead research in technology, medicine and social sciences²¹. However, no universities are located in the DORA study areas, which directly stimulate daily or weekly commuting to these greater regional centres, where the universities are located. There are successful cases in which courses are ministered by distance using IT resources. In other cases, the only solution is out-migration. For these small rural municipalities, the long-term out-migration of young labour force creates a constant demand for labour force with university degrees, such as doctors, teachers, and lawyers, which often is solved by having commuters from neighbouring regions. Besides, as pointed out by the interviewees, in more dynamic rural areas, the constant need for high skilled labour force constitutes a limiting factor for overcoming structural changes in the local economy, for instance, from an economy based on traditional industry to a more knowledge-based one. The opposite could also be said; diversified skilled labour forces tend to function as an attraction factor for new businesses.

Even if there is a constant need for skilled labour force in North Sweden rural municipalities, they seem to be unable to activate this skilled labour force at the same speed as Sweden as a whole. Findings from Ceccato and Persson (2000) show that if one takes Sweden as a whole, the higher the educational level, the easier it is to be activated into the labour market. However, the DORA study areas were not able to follow this trend as fast as other parts of the country did between 1990 and 1996. In general, leading and lagging areas have similar performance in activation rate for labour force with Post-Secondary education when compared with the national average. Differences can, however, be found for certain categories of labour force when comparing a particular year.

In terms of labour market policy, the majority seems to agree that it is not perfect but it has reached a large parcel of the labour force through short or long-term measures. Regardless of the study area, some controversy exists as whether or not the Swedish labour market policy is equally effective in activating Swedes, as it is to employ non-native labour force. The

²¹ <http://www.northsweden.org/english/Default.htm>

main argument is that unemployment rate among non-native labour force is constantly higher than among Swedes.

We have of course, had the problem of obtaining certain training programs here. They have become too expensive and we are not really positively inclined to that, at least at present perhaps (Public official, LWPN).

We have only the basic high school and of course, people do want to go on to university. Today there are only a few short courses at that level within computer studies (School principle, LWPN).

What is the situation for adult education? Yes, it exists of course. It seems to work quite well. We had a course for 17 people for labour market training and after it's completing we were able to employ a quarter of those people (Managing Director, IT company, WPN).

We have had university training during the past 10 - 15 years, where various shorter single courses were given, and have offered teacher-training programs. Now we have re-located the training as far as concerns GIS and GPS (programmes) to a three-year training programme and teacher-training programme. This has happened in Lycksele and inland in Norrland. It is part of an attempt to stop the outflow of people (Municipal leader, WPN).

If I may criticise a bit, I would say that it is too late to be concerned about demand - one can look at the causes but one must be careful and say that a difficulty arises during an upswing One is perhaps a bit too incautious. I would think that these measures are a bit too late - they ought to educate and train people in advance. One can look at the down side: we needed people and they had to wait several weeks before they began a course (Public official WPN).

It is more positive, more than 90per cent finish high school. We have many who continue to university, that is 49 per cent from this area as compared with the national Swedish average of 45 per cent. There's a difference even among the inland municipalities. Unfortunately, one leaves to make a career in another area. The municipality invests in childcare and training but the revenues fall elsewhere. The level of qualification is just too low compared with what is needed. There is advanced enterprising but few who have the necessary qualifications which is alarming. I believe that a great deal of the lack of expansion and new thinking is based upon the fact that one cannot do more (School principle, WPN).

Do you feel that the present labour market policy works well when it comes to creating employment among the risk groups, that is the disabled, and the immigrant groups? It works very poorly, I believe. We have no real labour market policy that really works (Citizen, LWPN).

I don't know very much about that. There is also Swedish language training for foreigners here. The foreigners seem to always place in the restaurant branches in self-owned family companies (Youth council, WPN).

3.1.3. Infrastructure

The initial hypothesis assumed here was 'that a sufficient and growth-stimulating regional and interregional infrastructure, which fits regional needs and is of good quality, aids local economic development through a general reduction of costs, an increase of the potential for prosperous future development and the improvement of the quality of life in the region. "Infrastructure" is assessed here looking through four aspects: transport infrastructure, business-oriented infrastructure, consumer-oriented infrastructure, and tourism-related infrastructure. Furthermore, it is important to consider the impact of (regional) policy on the provision of infrastructure.

According to interviewees, *Infrastructure* (mostly transport and communication) is the second most important factor that deserves more investments in the future, coming only after *Human resources*.

- Transport infrastructure

Transport infrastructure has a special importance when dealing with a peripheral region as North Sweden. This is true since 'transport infrastructure' has a cost reducing or output increasing impact on the economic activities and therefore improves the attractiveness and economic performance of a region. In general terms the region is relatively well served of transport infrastructure. Information on transport infrastructure in the WPN and LWPN areas is limited to general guidelines for each county; therefore, any comparison based on the exact infrastructure supply between the two areas is difficult to make. Only to give an idea, Luleå and Umeå, North Sweden's largest centres, have Sweden's fourth and sixth biggest airports, respectively. The combined traffic volume of these two airports is 1 400 000 passengers per year²². It is worth noting Lycksele and Storuman (WPN) Gällivare and Pajala

²² <http://www.northsweden.org/english/Default.htm>

(LWPN) have airports with domestic flights (see Table 21 for the volume of passengers per airport). Whilst Luleå is Sweden's leading bulk goods harbour with approximately 7 million tonnes/year, Umeå is the major harbour for the east-west traffic. The main northern railway line carries 4 million tonnes of freight. A summary of goods transportation can be found in Table 22. A new rapid transit line, the Bothnia line, which will carry rail traffic along the coast, is in its planning phase. The roads and highways play a vital role in binding together these enormous counties, which vary greatly in quality of maintenance and types of users. 7 per cent of Sweden's road network is to be found in Norrbotten, the region with the highest per capita number of automobiles. For passengers, busses are often used for commuting distances among municipalities while for freight, railways are still very common.

Table 21 Passenger per airport 2000.

	Passenger/airport	% County	% Sweden
Gunnarn/Storuman	17 473	1,7	0,1
Lycksele	26 202	2,5	0,1
Västerbotten county	1 056 537	100	4,3
Gällivare	51 104	4,1	0,2
Pajala	2 145	0,0	0,0
Norrbotten county	1 234 916	100	5,0
Sweden	24 490 635		100

Source: Luftfartsverket, 2000.

Table 22 Good transport per destination 1999.

County	Goods transported		Destination (%)	
	1 000 ton	Within county	Abroad	
Västerbotten	18 736	81	19	
Norrbotten	12 435	87	13	
Sweden	328 900	73	27	

Source: SCB, 1998.

One good indicator of how well the transport infrastructure is adapted to the local needs, either for transporting goods or passengers, is that of asking the suppliers and users their opinion about the infrastructure. According to the SAF survey (1999), entrepreneurs (users) are in general much more discontent with the transport infrastructure than politicians (suppliers). A striking difference in opinion is found between entrepreneurs between the WPN and LWPN. Entrepreneurs in Pajala and Överkalix and, to less extent, Gällivare (all LWPN municipalities) judge the infrastructure as unacceptable (Figure 11).

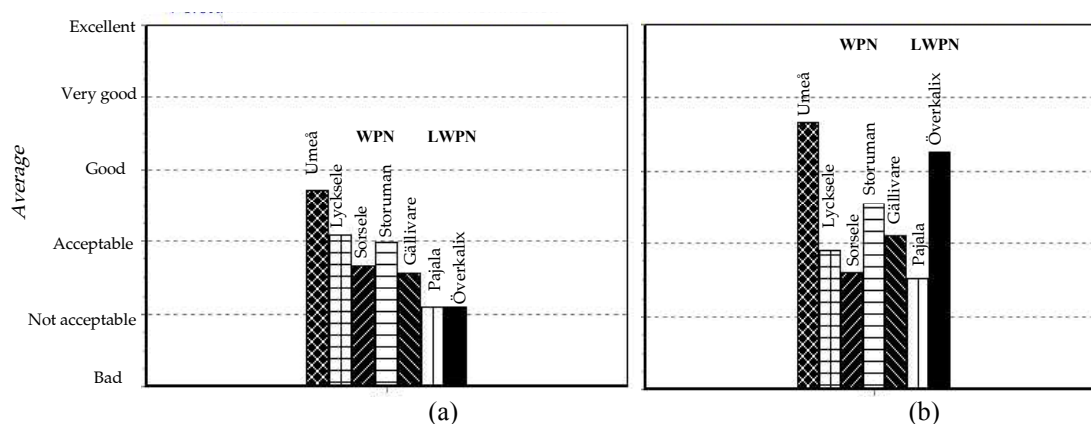


Figure 11 Infrastructure in the municipalities according to entrepreneurs (a) and municipal politicians (b).

Source: SAF, Företagarenkät, SAF/Demoskop.

Interviewees also pointed out that the lack of maintenance of railways and motorways is one of the most limiting factors (for several, it was the most important one) for the region's economy, not only in terms of freight but also for passengers.

Have railways and roads been built out in the area? No, nothing has been built, on the contrary, it's just the opposite. It is getting to be so that certain parts of industry, such as the forestry industry for example, just have to stop work at certain times of the year because of the inaccessibility of the inland roads system. So that there are many timber lorries, which stand still, because they cannot move on the roads, so poor is the road care in the area. And that is a problem for an entire industry. The transport is worn out. The wear and tear is certainly ten, twenty per cent greater than in the corresponding industry in southern Sweden. And it affects people, too. They seem to "break down" when they are sitting still, you know. (Public official, Överkalix, LWPN).

How good is the infrastructure here? Now you have arrived at what is problematical. the railway that runs through here has no transport for the public, there is only freight and goods transport and that doesn't run very often either. As for the road system, that is also poor - Lycksele has a European motorway, which has a not very acceptable standard. That is a problem. If one looks at regional politics, one sees that an enormous amount of money is invested into the infrastructure: we have three parallel railroads, the Bothnian track, the Sten track and the Inland Railway, and each of them travel up and down Sweden, and the officials are closing down the cross-routed railways in the country - that is problematical indeed. On the other hand, we have a new airport, without the air transport I believe that Lycksele would be in very dire straits. We are of course only one and a half hours from Stockholm and that is significant. And every one is speaking now about internet technology and development, the broad band, so that this way the rural areas are gaining access to internet. We have housing in Lycksele that have direct connection with internet, which is well and good. In the villages there are many who are speaking about this and whether there is a true need for internet. I don't really know. The strange thing is that ... I often travel to the villages and ask, "What is broad band technology"? There are only a very few who seem to know what it is (Rural area developer, Lycksele, WPN).

Of course we have road infrastructure, but the question is if they are up to standard, they are not really kept up. I believe that this affects the economic development here (Representative of Skytteanska municipal Enterprise, Lycksele, WPN).

- Business-related infrastructure

Business-related infrastructure is important since it fosters regional growth by cost reducing effects and provides attractive locations for new investments. Business-related infrastructure is composed of essentials used by business (such as industrial parks, technology parks, business districts, R&D infrastructure) or which has a special relevance for the locational decision or cost structure of business (such as energy/water supply, waste treatment, telecommunication).

In terms of technological parks, the regional universities constitute important actors together with local businesses in creating economic dynamism. One example is Umeå University that has made a large investment in information technology in the Umeå Centre for Interaction Technology (UCIT). This is a multi-disciplinary research centre focusing on interaction between humans, information and computers. Researchers from various areas cooperate to solve problems of transition from the industrial to the information society. Several municipalities, including the LWPN's, are actively trying to attract investments in these new areas that are often concentrate in larger regional centres, where a more complete business-related infrastructure exists.

The DORA study areas are very similar in terms of basic urban infrastructure (such as energy/water supply, waste treatment, telecommunication) since it has also been a part of the welfare system. The same could be said about vacant places for industries and businesses, often there is a good supply that is used to attract new business through special arrangements. As pointed out by interviewees, there is a surplus of apartments and, as they declare, places for new businesses seem to be easily arranged by the municipal leaders, when they are not available.

When it comes to the location of a company, is there much available land both for building housing and for placing companies? I believe so, because today there are very many empty blocks of flats. There are flats, which are empty and wait for people to move in. And for companies, there will be built new business centres, such as this year. There are also building plans underway, such as the new industry building. We have fine plans for that, but it is also a matter of renting the sites to companies, that is what it is all about too (IT Enterprise, LWPN).

I know that it is not very easy to gain access to sites for industry now, that there are no empty locations, although there is a market for them (Municipal company, WPN).

- Consumer-oriented infrastructure

A well-developed consumer-oriented infrastructure improves the quality of life in a region, here analysed by supply and accessibility to basic services²³ (stores, post offices, pharmacy and schools). While this can be seen as a form of regional success in its own light, it can also be seen as a location factor. This type of basic infrastructure contributes to the attractiveness of a region for new investments by providing a certain level of life quality for the entrepreneur and employees, as well as inhabitants of the region in general.

The housing market is similar in both study areas but there are indications that the WPN market is more dynamic than the LWPN area since the total number of purchases has been higher while the houses' prices have been lower during the last three years (Table 23). Housing stock in both areas is enough large to attend the local immediate demand, in few municipalities, empty apartments is a reality since people are still moving out and politicians has always perceived this as a problem for the local administration, specially in the LWPN. In the LWPN the number of vacant apartments is constant since mid-1990's, around 11 per cent against 7 per cent in the WPN)²⁴.

Table 23 Real state purchase in North Sweden, purchase of detached permanent houses.

	Total number of purchases year 2000	Average purchase price (SEK Thousand)
WPN	126	351
LWPN	113	380

Source: SCB, Fastighetsprisstatistik, 2000.

For those who live in rural areas a good access to services is the fundamental element in their decision of staying in the countryside. Accessibility to public and private services has also been an important aspect of the Swedish welfare system, which has struggled during the last decades to provide and keep equal living conditions over the whole country. What does the accessibility to services in rural areas in Sweden look like? During the 1990's, basic services were closed down over the whole country; thus, people nowadays travel longer to have access to basic services than ever before. How are the DORA study areas performing? Even though the differences are very small between areas, the WPN is performing slightly better than the LWPN regarding population access to stores, post offices and pharmacy, the exception are schools.

According to The Swedish National Rural Development Agency Yearbook (2000), the access to services in rural areas declined during the last decade. Nine percent of the shops in rural and urban adjacent rural areas disappeared in the last four years (1995-1999) and 20 per cent between 1980 and 1999. The four northernmost counties, which had the lowest access level, were most affected by this reduction process. This reduction has mostly happened at large in certain types of rural areas and urban adjacent rural areas. In these areas, about 230 stores have disappeared during the last three years. It has mostly been small food shops that have been closed and, in few cases, they were transformed to "service stores", combining other functions, such as post office and sales. The Table 24 shows changes in the number of stores between 1980 and 1999 by type and the percentage of change between 1996 and 1999.

Table 24 Number of stores by type (1990-1996)

²³ This analysis was performed using the *Service-database* developed by The Swedish National Rural Development Agency/National Consumer Agency –KO, in combination with a Desktop Mapping System (MapInfo Professional Version, 5.0). The database uses an accessibility model based on the distance through roads from a start point (individual residence by cell) to a destination point (services' location – by coordinate). The output is generally a table in which each row represents a cell on the map. A figure is attached to each row (cell) showing how many individuals or households have access to a certain service, either in time (minutes) or distance (Km). A web version is now available at <http://www.Servicedatabasen.com>.

²⁴ <http://www.regionfakta.com/>

and the percentage of change between 1996 and 1999

Type	1990	1996	1999	1996-9 (%)
<i>Least 400 km² selling area</i>	1860	2000	1950	-2
<i>Other type of daily stores</i>	3360	3000	2130	-29
<i>Service-gas station's stores</i>	2480	2120	2800	32
<i>Others</i>	-	70	10	-90
<i>Total</i>	7700	7190	6890	-4

Source: Based on The Swedish National Rural Development Agency Yearbook (2000), p. 9.

Norrland's inland is the region where the highest per cent of the population with the longest travel time to services and where the travel time has increased most of all during the last few years. However, this varies from service to service. In Southeast Sweden, 85 percent of the population has less than 5 km to a store (43 per cent have less than 1 km). Surprisingly, in North Sweden region, although sparsely populated areas, about 85 percent have access to stores within 5 km, however more than 6 per cent needs to travel more than 10 km to have access to stores against only 2 percent in Southeast Sweden. Both in the well performing as well as in the less well performing areas, 75 per cent of the individuals have access to stores within 5 km, which is lower than the average for the North Sweden region (85 per cent). In both areas, the percentage of individuals that had lesser travel time to stores decreased between 1996 and 1998.

A Post Office service is a special type of service²⁵ since it constitutes a basis for other services in Sweden, especially in small communities. In North Sweden 11 percent of the population has more than 15 km to a post office against 5 per cent in Southeast Sweden. The LWPN area is slightly better served by post offices than the well performing. Within 5-km distance, 71 per cent of individuals living in the less well performing area had in 1998 access to a post office against 66 percent in the well performing area.

According to service database from The National Rural Development Agency, the numbers of pharmacy²⁶ representation was approximately 1000 and were located mostly in rural areas. The share of households in 1999 with more than 10 km to the closest pharmacy or pharmacy representation was on average 4 per cent in Sweden. The data also shows that the Northern Sweden had the most sensitive structure in terms of accessibility to pharmacy, it means people in Northern parts of Sweden need to travel much longer than others living in Southern Counties if the closest pharmacy were to be closed down. More people are travelling longer nowadays than they have done before but this trend seems not to affect dramatically the North Sweden study areas in terms of percentage of population having access to this pharmacy. However, the WPN area still has less people travelling longer than LWPN (Appendix 2).

Regarding schools' supply, 170 schools, about 10 per cent of the total, in urban adjacent rural areas were closed down while the number of rural schools remained the same between 1995 and 1998. However, the rural schools have fewer students, which means that schools are still at risk of being closed down (The Swedish National Rural Development Agency Yearbook, 2000). In rural areas, taxis and school busses are fundamental to make shorter the distances to schools in rural areas in Sweden. Pupils in North Sweden have to travel longer to go to school than their friends living in Southeast Sweden. In Norra Norrland, contrary to what was expected, students in the LWPN area had to travel less to school than those living in the WPN area. 55 per cent of the pupils in the WPN had access to Högstadiet School

²⁵ The State has signed a contract with Posten AB, which is the main post office enterprise, which lately has worked with other partners, such as chains of local stores ("post i butik"). In this contract states that "a good basic cash service ("kassaservice") must be provided to all clients over the whole country" five days a week and the total number of households that does not have daily post service should not increase. In 1999, about 83 per cent of all post office provided also cash service. This reorganisation resulted in more stores providing mail services; the number of households with great distances to post office has decreased slightly in the country as a whole. However, the regional differences remain and to a certain extent have been strengthened (The Swedish National Rural Development Agency Yearbook, 2000, p. 13). A reduction has happened in places with least 3000 inhabitants (The Swedish National Rural Development Agency Yearbook, 2000, p. 10).

²⁶ Apoteket A B has the State assignment to provide for the common and health care demand for medicines and has the monopoly of the sales to the society in general.

within 5 km compared with 67 in the LWPN area. The striking difference is found among those who live in rural areas. In the LWPN, only 16 per cent of students had access to school within 15 km against 34 per cent of those living in WPN. Differences between the two pairs of study areas in North Sweden could be related to municipalities' size (larger, more demand) and relative location (distance from the main regional urban centres).

- Tourism infrastructure

Traditionally the WPN municipalities are characterised by having a nature that promotes tourism, such as skiing and fishing and hiking (during the summer). Infrastructure for tourism already exists (Table 25) and, in certain cases, such as Storuman (Tärna Mountains), a well-established industry exists that took the first steps in the beginning of the nineteenth-century. The WPN area performs better than LWPN in terms of available capacity of tourism infrastructure.

Table 25 Available capacity of tourism infrastructure*: hotels, hostels (vandrarhem) and rental summer house (bystugga) in North Sweden, Jan-Dec 2000.

	Total establishments	Available capacity	
		Room	Bed
WPN	33	241982	759116
LWPN	24	199402	559981

Source: SCB, 2001.

*Hotels, hostels (*vandrarhem*) and summer house (*bystugga*)

Table 26 Use of tourism infrastructure*: hotels, hostels and rental summerhouse in North Sweden, Jan-Dec 2000 by country of origin (% in parenthesis).

	Guest-nights from				Total
	Sweden	Nordic Countries	Europe	Outside Europe	
WPN	125533(87)	12390(9)	5867(4)	290(0)	144 080
LWPN	84808(77)	9907(9)	8920(8)	6363(6)	109 998

Source: SCB, 2001.

*Hotels, hostels (*vandrarhem*) and summer house (*bystugga*)

Storuman and Sorsele are typical winter resorts – part of the Swedish ‘mountains regions’ *ffällen* and are part of Europe's largest nature reserve, *Vindelffällen*. Although Lycksele is not known as part of the *ffäll* municipalities, the municipality has an increasing tourism infrastructure, attracting people mostly from Sweden and also from abroad that want to experience exotic winter activities, such as snow scooter racing. In the LWPN, the overrepresentation of non-Europeans as guests is explained by the fact that during the summer, groups of ‘wild berry pickers’, mostly from Asia and Baltic countries, use this infrastructure not as tourists but as temporary guest workers (Table 26).

- Regional policy and decision making

In Sweden, regional policy and policy directed to rural areas is traditionally strongly interlinked. Regional policy was introduced as ‘localisation policy’ in the mid-60s aiming to increase economic effectiveness by improving regional balance in the country. This was done by state subsidies, which should stimulate industrial investments in the large sparsely populated areas of North Sweden, which were hit by structural change and depopulation (Närings- och Handelsdepartementet, 1997) Additionally, the idea of equal living conditions all over the country and the right to live and work wherever one wants are connected to this policy (Norberg, 1999, p.85-89). During the following decades the state obtained a strong position in the Swedish setting, allowing redistributing 53 percent of the income differences in the mid-80s, which had a positive spatial effect providing an almost equal income in remote rural areas as well as in city regions in the end of the 80s (Westholm, 1999).

Within the past years, considerable changes occurred, which had an impact on the role of the Swedish state. An important aspect was Sweden's decision to enter the EU, which demanded

adjustments by the institutional setting, for instance, to fulfil the requirements of EU regional policy (Näringsdepartementet, 2000). Facing these changes, Sweden is undergoing a reform adjusting the social welfare system, which includes a modification of regional redistribution programmes as well as downsizing of the provision of basic services and infrastructure. This cutback in public sector expenditures particularly affects rural areas, as they were the primary beneficiaries of support and compensation transfers given by the Swedish state (Persson, 1997). With the 1998 government bill (Proposition 1997/98:62) a new direction in regional policy was proposed: away from supporting weak regions and equalising regional differences towards promoting regional growth which makes use of spatial differences.

Hence, endogenous potentials should be activated by means of growth agreements, which define the capital accessible for regional development. This change in policy represents a big step, since regional policy is now concerned with all Swedish regions and not only the weak, i.e. sparsely populated areas and regions with industrial decline, having varying aims and means depending on each region's needs and capability (Westholm, 1999). This indicates that systems have become even more decentralised and independent of the central government. In theory, it could be expected that the more decentralised and democratic the system is, the better it would fit the specific regional needs. However, since decentralisation has always been a typical characteristic of the Swedish system, it is difficult to assess how large is the impact of the recent events towards a more decentralised regional policy in the DORA study areas. Thus, in the Swedish case, regional policy decentralisation per se cannot be taken as a differing factor among the study areas.

Table 27 Selected areas of expenditures of the Swedish national budget and expenditures towards North Sweden in 1998, Euro per capita

Area of expenditure	WPN (%)	LWPN (%)	National average* (%)
Regional balance and development	304 (4)	323 (4)	33 (0,5)
Transport and communications	758 (9)	1072 (12)	374 (4)
General grants to local government	2108 (26)	2003 (23)	956 (10)
Total	8106	8559	9447

Data source: NUTEK (2000b)

* Data source: Aggefors and Bodevik (2000), p.59.

Looking at the areas of expenditures of the Swedish national budget towards North Sweden (Table 27), there exist areas of expenditure besides the social welfare in which the region receives more money per capita from the state than the average. Firstly, 'regional balance and development': here extreme disparities exist between national average and the amount the northern region receives (4 per cent against 0,5). The main reason is that regional policy of the Swedish state aims to stimulate and support economic attractiveness, particularly in north-western Sweden. Secondly, in area 'transport and communication' the high level of expenditures is explained by the fact of very sparsely population density of the area, which, consequently, results in higher per capita costs for technical infrastructure. The LWPN receives more, 12 per cent, than the WPN, 9 percent. Thirdly, the expenditure on 'general grants', is also showing evident differences compared to the national average, being more than twice as much (26 per cent in the WPN and 23 percent in the LWPN).

Table 28 RGA Norrbotten, budget year 2000

Euro per capita		
Area of investment	Sum	%
Knowledge and competence	142	38
Knowledge intensive activities and networks	114	31
Access and good technical infrastructure	49	14
Culture, cultural environment and cultural heritage	58	16
Reindeer business and Sami culture	5	1
Total	369	100

Source: Länsstyrelsen Västerbotten (2000), p. 78.

Table 29 RGA Västerbotten, budget year 2000

Euro per capita		
Area of investment	Sum	%
Education and competence	151,94	36
Infrastructure and technical development	36,30	9
International relation and markets	15,84	4
SME development	161,10	39
Quality of Life: Service and culture for growth	41,02	10
Not specified	11,74	3
Total	417,95	100

Source: Länsstyrelsen Norrbotten (2000), p. 4-5.

Regional policy spending in different types of regional infrastructure helps to provide preconditions for regional growth. By comparing the two RGA's in terms of issues for improving economic development, the common focus on development of knowledge and competence as a kind of infrastructure is quite obvious in both areas (Table 28 and Table 29). Additionally, the county of Västerbotten (including WPN) addresses the business sector directly with its finances (e.g., 39 per cent directed to SME's and 9 per cent in infrastructure). Looking at the amount of finances available in the development capital, it becomes clear that WPN, or more precise county Västerbotten, was able to obtain a higher amount of money for development purposes than the LWPN (Norrbotten county).

3.1.4 Investments²⁷

The initial hypothesis is that higher rates of investments in relation to gross value added can induce/stabilise regional economic growth with different effects on the labour market. Furthermore, a good availability of investment capital aids local economic development through providing the essential precondition for new firms and business start-ups.

Table 30 illustrates industrial investments directed to (building and machines – byggnader och maskineri) study areas at county level in 1991, 1995 and 2000. This reflects only a partial input of sectorial investments, with the Norrbotten county (includes LWPN) receiving the largest share in 1990 and 1995 and Västerbotten county (includes WPN) getting a slightly larger share in 2000 (3.1 percent).

Since no reliable information about how much private investments are directed towards the study areas is available, the factor 'investment' for the Swedish case focuses on the amount of public spending instead. This is particularly important in Sweden where a great share of the study areas' budget is dependent on public investments. In this region, public resources

²⁷ This section illustrates the different financial sources available for regional development in the study region North Sweden – mostly public. Part of this section was written by Miriam Stephan, a student of the Master's Programme from Aalborg University, Denmark.

within the regional policy framework support more or less all investments in private business.

This section illustrates the different financial sources available for regional development in the study region North Sweden. In the first part, spending from EU resources are analysed followed by the distribution of the Swedish national budget, including the transfer system, which will be described and examined. Later, the expenditures of county councils and municipalities, which contribute to regional development, are assessed. Finally, regional growth agreements of the respective counties of North Sweden are analysed regarding available resources for development.

Table 30 Industrial investments 1991, 1995, 2000, thousand crowns (i löpande priser)

	1991	1995	2000
Västerbotten	919 (2,5)	1294 (2,3)	1630 (3,1)
Norrbottnen	1757 (4,8)	2546 (5,0)	1548 (2,9)
Sweden	36040(100)	55644 (100)	52314 (100)

Source: SCB, Investeringsenkäterna.

Enterprise with more than 20 employees within manufacturing (C and D, according to SNI 92)

- EU structural funds

The study region North Sweden takes part in various EU Structural Fund programmes, e.g. objective 6 in the previous programming period. The Figure 12 illustrates that WPN received significantly more EU funds than LWPN over the whole programming period; being three times as much. This indicates not only the better performance of the WPN area with regard to the indigenous capacity of local actors to initiate projects but also their stronger economic power to (partially) finance them, in comparison to the LWPN area.

Looking at annual performance, both areas had a fairly equal start in terms of EU funding, but WPN could increase the amount, while LWPN shows a declining trend in terms of EU funding. Here it has to be taken into account that the data collected for the year 1999 might not reflect the final spending because of delayed payments or projects that were not finished at that time. An outstanding feature is the level of private co-funding in WPN, contributing 16 percent to the total spending right from the beginning, reaching 25 percent for the year 1999.

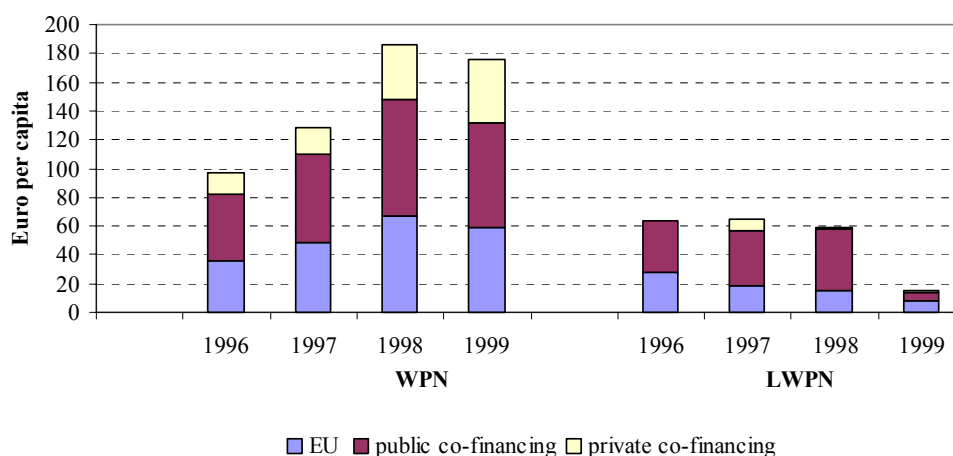


Figure 12 Spending on EU projects in North Sweden, Euro per capita
Data source: NUTEK (2000a)

On the contrary, LWPN had very low private co-funding for EU projects, which can be interpreted as a low acceptance of EU by the local population as well as a lack of will and resources to actively support local development. The contribution of EU funds to specific projects is for both study areas equal, 35 percent per definition. Hence, the public sector is

the main financier of EU related projects; in LWPN covering in average 60 percent of the money, even in WPN, but here the public sector is only paying 44 percent of the budget.

Not all municipalities of the study region North Sweden take part in the LEADER Initiative. In LWPN only Gällivare is active in the LAG-group 'Skogslandet'. The group 'Inlandslandet' consists among others of the municipalities Sorsele and Storuman, which are part of WPN. Quite apparent (Figure 12) is the difference between the respective LAGs of WPN and LWPN in the available sums of EU money over the period 1996-99 showing the same tendency as valid for the whole EU structural fund payments. But the leading role of 'Inlandslandet' (WPN) is not observable when looking at the number of accepted projects: here the study areas have an almost equal number with 52 projects in 'Inlandslandet' and 49 projects in 'Skogslandet'. Consequently, the projects of 'Skogslandet' have lower budgets than in 'Inlandslandet'. The focus of the LAGs projects lies mostly in developing rural tourism. In the case of 'Inlandslandet' the development of small enterprises and local services is of same importance (Svenska LEADER nätverket, 1999)

- EU agricultural spending

The data on agricultural spending is only available for a larger region than the study region. In the case of North Sweden the figures follow the trend of the statistical region 'Upper Norrland'. The Table 31 illustrates, among others, subsidies given per farmer in the study region saying that financial support makes up 75 percent of the farmer's total income. This strong dependence on external financial resources of farmers is an indicator for the lacking conditions for agriculture in North Sweden. Thereby, the two types of support analysed are of fairly similar significance for the region, somewhat in favour of the various types of direct support. The relative importance of direct support can be explained by the fact that money is especially targeted towards the northern parts of Sweden, like the above mentioned compensation subsidy and its national complement, which are included in the analysis.

Table 31 Financial support and farming income in North Sweden in 1998, Euro per farmer

Study area	Number of farms*	Total income	Market price support (% of total income)	Direct support (% of total income)	Farming income (% of total income)
WPN	368	21616	7355 (34)	8848 (41)	5413 (25)
LWPN	337				

Data source: Jordbruksverket (1999), p.36.

* SCB (1999c)

The WPN region receives all in all a higher amount of money per capita from agriculture than LWPN (see Figure 13), which is caused by the fact that there exist more farmers in the area.

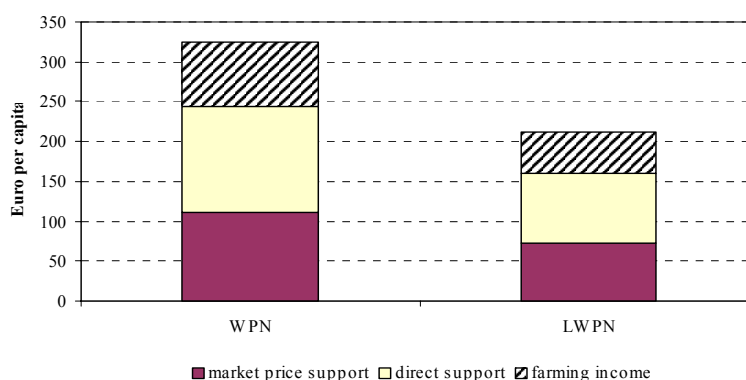


Figure 13 Financial support and farming income in the Northern study areas 1998, Euro per capita
Data source: Jordbruksverket (1999), p.36.

- National spending including transfers to municipalities

Looking at the overall national spending towards the study areas of North Sweden, see Table 32, the two receive fairly similar amounts of money from the Swedish state. But while having a closer look at the areas of expenditure of the state budget, significant differences can be found in distribution between the study areas.

Table 32 Areas of expenditures of the Swedish national budget and expenditures towards North Sweden in 1998, Euro per capita

Area of expenditure		WPN	LWPN	National average*
01	The Swedish political system	0	0	57
02	Economy and fiscal administration	0	0	26
03	Tax administration and collection	75	11	79
04	Justice	170	193	284
05	Foreign policy administration and international co-operation	0	0	34
06	Total defence	3	5	570
07	International development co-operation	0	0	153
08	Immigrants and refugees	27	1	58
09	Health care, medical care and social services	252	315	310
10	Financial security in the event of illness and disability	712	710	546
11	Financial security in old age	1015	968	833
12	Financial security for families and children	451	448	482
13	Financial security in the event of unemployment	544	823	496
14	Labour market and working life	984	1098	631
15	Study support	232	221	291
16	Education and university research	103	168	365
17	Culture, the media, religious organisations and leisure	72	25	97
18	Community planning, housing supply and construction	135	91	297
19	Regional balance and development	304	323	33
20	General environment and nature conservation	0	0	16
21	Energy	2	2	10
22	Transport and communications	758	1072	374
23	Agriculture and forestry, fisheries and related industries	146	81	343
24	The business sector	11	0	34
25	General grants to local government	2108	2003	956
26	Interest on central government debt, etc.			1507
27	The contribution to the European Community	Not distributed		282
Total		8106	8559	9447

Data source: NUTEK (2000b).

* Data source: Aggefors & Bodevik (2000), p.59.

Budget areas with highest expenditures are concerned with different social aspects (no. 9-14), which is true for both study areas. This equally high level results mostly from the Swedish social welfare policy, whereas in the budget areas 10-14 the level for North Sweden region is considerably higher than the national average. Additionally, in area 13, for financial security in the event of unemployment, the level is even higher in LWPN than in WPN. This implies that LWPN's unemployment rate is significantly higher than in WPN. This fact also explains the variation of expenditures for budget area 14, labour market and working life.

One exception is area 12, which is concerned with financial security for families and children. Here the level of expenditure in North Sweden is lower than the national average. This indicates that there are not many families with children in the northern region.

Another interesting area to look at is the one on 'education and university research': here the level of spending is significantly lower than the national average showing that in North Sweden only few institutions of higher education are situated. There exist all in all three more areas of expenditure, where the northern study region receives more money per capita from the state than the average region. Firstly, no. 19 on regional balance and development: here extreme disparities exist between national average and the amount the northern region receives. The main reason is that regional policy of the Swedish state aims to stimulate and support economic attractiveness, particularly in north-western Sweden. Secondly, in area

‘transport and communication’ the high level of expenditures is explained by the fact of very sparsely population density of the area, which, consequently, results in higher per capita costs for technical infrastructure. Thirdly, the expenditure area 25, general grants, also shows evident differences compared to the national average, being more than twice as much. Additionally, there exists minor variations within the expenditure area between the study areas (Figure 14), but since it is part of the grant and equalisation system, this will be further examined in a subsequent section.

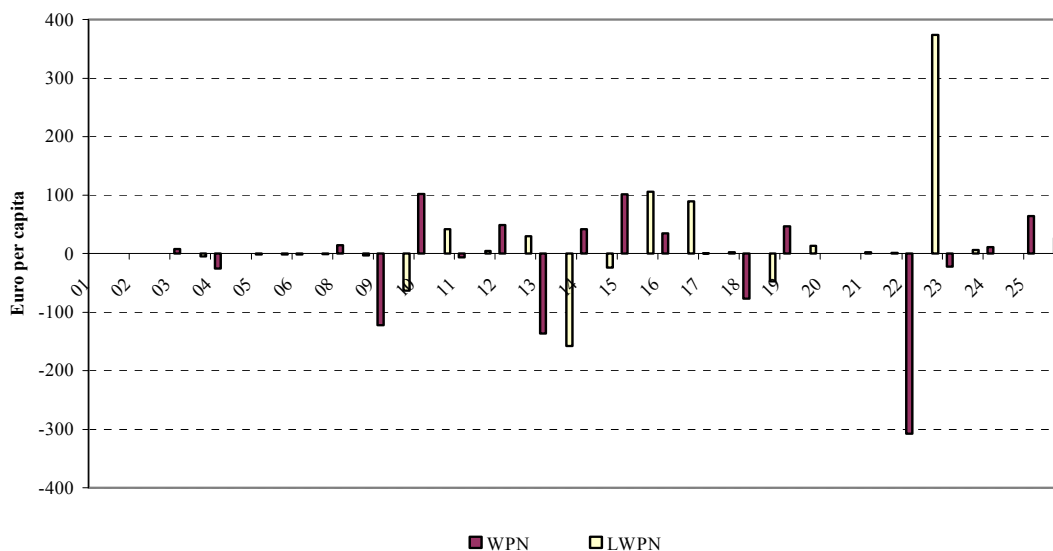


Figure 14 Differences in national spending 1997-98 in areas of expenditures in North Sweden.

Data source: NUTEK (2000b).

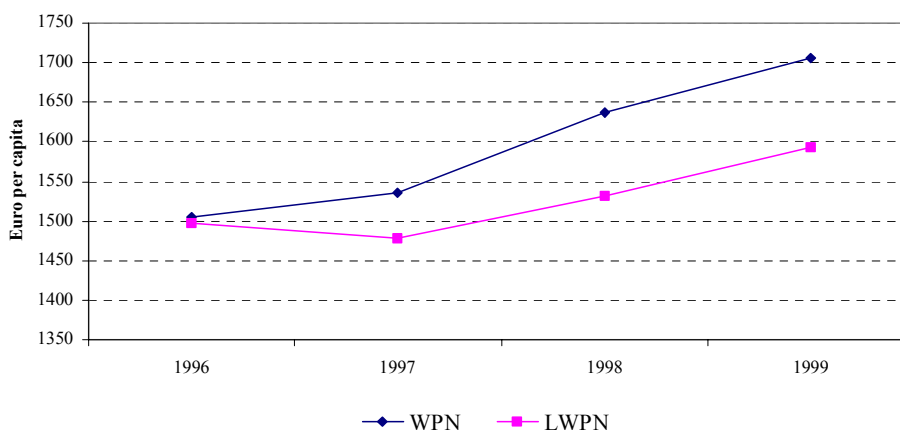


Figure 15 Government grants and intra-municipal equalisation to North Sweden.

Data source: SCB (1996) p. 58-88, SCB (1997) p. 40-88, SCB (1998) p. 38-87, SCB (1999) p. 40-87.

The change of state budget spending in the years 1997 to 1998 is shown in Figure 14. There exists a common trend in terms of cutbacks for expenditure area 9, health care, in which both of the study areas were confronted with a decline in state support from 1997 to 1998. Another decline occurred in area 13, ‘financial support in the event of unemployment’, in both of the study areas, which can be interpreted positively, meaning that the number of unemployed decreased in 1998. Moreover, the amount of study support (area 15) increased, which implies that more young people decided to go for higher education. An opposing trend can be seen in the area ‘transportation and communication’, where WPN lost income in the same way LWP’s income increased.

Figure 15 shows the level of financial transfers towards the study areas including general state grants as well as intra-municipal equalisation payments. Here it can be seen that in 1996 the two study areas got the same amount of finances out of the financial transfer system. But with the reform of the system, WPN now receives more money than LWPN. In the debate preceding and following the reform of the system, it has been argued that the previous system ‘overcompensated’ poorer municipalities. Nevertheless, the development trend over the years 1997 to 99 was positive for both areas; indicating that the impact of temporary regulations for the new grant and equalisation system was different for the areas by favouring WPN. Another reason for the steady increase is a result of the data itself, which is given in annual prices. By looking only at the general grant as one component of financial transfers (see Table 32, area no. 25), the figures of 1998 cannot really support the difference, but looking at Figure 15, the changes between 1997 and 1998 of the national spending, the spending towards WPN increased more than the one towards LWPN.

- Spending of county councils and municipalities

Table 33 shows the various areas of activities run by the Swedish county councils, as categorised by the provider of the data, the Federation of Swedish county councils.

Table 33 Classification of county council net costs and national average 1999,
Euro per capita

No.	Area of activity	National average net costs
1	Health service (including dental service)	1366
2	Social activities	6
3	Care for mentally retarded people	1
4	Education	33
5	Cultural activities	22
6	Diverse activities	69
7	Central administration	38

Data source: Landstingsförbundet (1999).

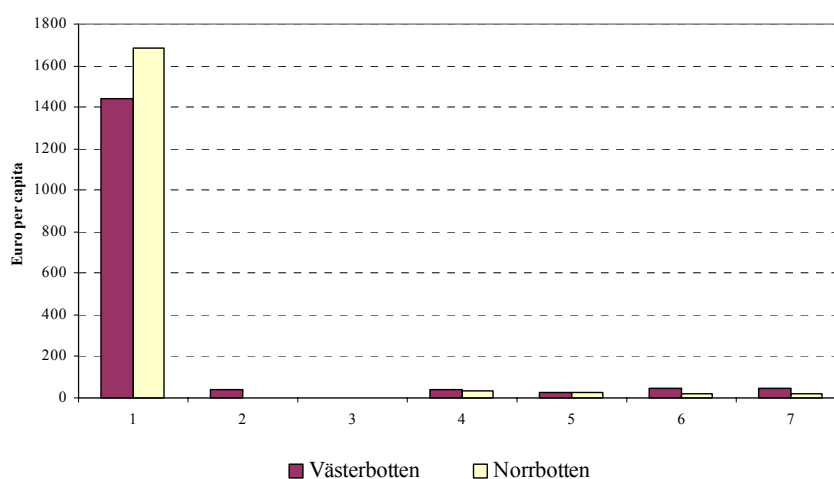


Figure 16 The net costs for county council activities in 1999, Euro per capita
Data Source: Landstingsförbundet (1999).

Figure 16 illustrates the distribution of responsibilities in the Swedish system quite apparently showing that the health service sector is the main responsibility of Swedish county councils. There can be found only small differences in costs for certain categories of activities. Variations can be seen in the category 6, diverse activities. But as there is no data available on sub-categories of this area, no conclusions can be drawn from this finding. Another interesting aspect is the variation of costs for central administration: WPN has higher expenses than the national average and LWPN has a considerably lower level of costs.

The areas of responsibilities for Swedish municipalities differ from that of county councils, hence, the Table 34 shows the categories in which the municipal's activities were aggregated to.

Table 34 Classification of municipal net costs and its national average 1999,
Euro per capita

No.	Area of activity	National average net costs	%
1	Political activities	56	2
2	Infrastructure, security	232	7
3	Spare time activities	98	3
4	Cultural activities	88	3
5	Pre-schools and school child care	432	13
6	Education	1158	34
7	Care for elderly and disabled people	1015	30
8	Individual and Family care	300	9
9	Specially directed activities	42	1
			100

Based on: SCB (1999b), Def4.

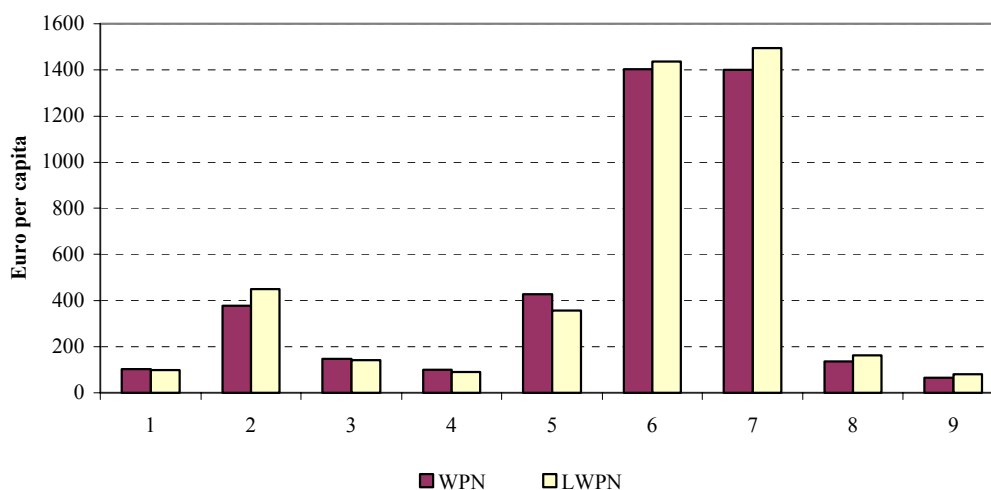


Figure 17 The net costs for municipal activities in North Sweden in 1999, Euro per capita

Data Source: SCB (1999b), Vkv4.

Figure 17 shows that costs for elderly and disabled people as well as families encompass the highest amount of a municipality's expenditures. Compared to that, the amount of money spent on infrastructure, education, cultural and spare time activities are very low, but are equally important for the development of the region. A general trend regarding municipal costs can be found, e.g. when it comes to expenditures related to families and young children. Here the per capita spending is below national average as a result of the older demographic structure of the North Sweden study region. The opposite trend is true for the spending area on 'care for elderly and disabled people'. Other kinds of costs for activities are higher as a result of low population density in the northern parts of Sweden. Differences between the study areas can be found in the category 'education, with WPN having more costs for this subject. On the other hand, LWPN spends more money on the care for elderly people caused by a different demographic structure.

- Available resources from Regional Growth Agreements - RGA

All municipalities of LWPN are eligible for projects in the RGA of the county of Norrbotten. Looking at Table 28, Norrbotten puts its financial emphasis on developing knowledge and competence in the local population. Here, further use of IT is important as well as a stronger orientation towards the needs of the business sector. Also international relations, especially the Barents regions, are seen as key factors for development in the county.

The RGA of Västerbotten covers the municipalities of the WPN study region (see section 3.1.3, Regional Policy and decision making, Table 29). Here two equally important areas of investment are to be found: education and development of competence as well as development of local SMEs. Focus of these investments will be on research and development and on offering education for the business sector as well as general development of SMEs. By comparing the two RGAs in terms of issues for improving economic development, the common focus on development of knowledge and competence is quite obvious. Additionally, Västerbotten addresses the business sector directly with its finances. Looking at the amount of finances available in the development capital, it becomes clear that WPN, or more precisely county Västerbotten, was able to gather the highest amount of money for development purposes in the study region.

Interviewees are, regardless of study area, aware of the region's dependence upon public funding, not only to keep their living standard but also as an important element of economic performance (decreasing costs of capital and stimulating business start-ups, increasing competence, etc). The large majority of the interviewees had difficulty in identifying who the private investors (see citations below) were. However, all agreed on their importance as agents of economic dynamism in the study areas/municipalities.

Who are the major investors in the region and where do they come from? That is difficult to say, a great deal happens on its own, most of it is certainly the municipal and the county administrative board and similar organisations; then there are the private investors. I cannot really answer that question. I should like to believe that they all come from local areas, more or less, and that they comprise the entire Norrbotten county, with mostly regional ventures (IT enterprise, LWPN).

Who are the major investors in the municipality and where do they come from? Naturally it is the public sector that is the major investor. That is, those funds that are channelled through labour market funds, are invested in training, in employment measures and then there is a great deal of EU funds available. The private investors do exist, but they do not invest, really. They appear to take the money and run (Politician, LWPN).

I really don't know, well, it must be the municipality and small businesses. It appears to be that the business people invest in their own companies and do it locally (Local organisation, WPN).

It appears that the county council invests a great deal in relation to others here. The forestry industry and government investments do too. Private investors don't really exist very much here, at least to the extent one would expect (IT company WPN).

We haven't got very large investments, aside from hotels and a number of workshop industries the smaller companies are often family run cottage industries. We lack entrepreneurs who want to venture in the region. The public sector has decreased funds during the nineties so they have diminished. Well, there is a local fund, which is connected to the county administrative board, and EU funding. There is an economic fund, which helps finance new ventures and supplies advice among other things. It is called LYAN. Many apply for assistance to LYAN at some stage. Then there is the county administrative board, ALMI, and even a connection to NUTEK. The EU exists but one often begins locally and shifts gear upwards to EU at a later stage. The area is basically hostile towards the EU, which is a disadvantage. One doesn't utilise that which exists within the EU, people don't believe in it (School principle, WPN).

3.1.5. Economic structure and organisation

Economic structure and organization deals with how economic activities, production processes and enterprises are organized and how they interact. Economic structure and organization influences employment opportunities/constraints for the local population and the prevailing trends. The analysis of economic structures and organization provides insights into the following: the structure and evolution of employment by sectors and branches (clusters) of economic activities; the mix of branches diversification/specialization and intersectoral relationships (linkages) in the local economy; the structure and evolution of enterprises (size, branches –origin, ownership, degree of integration local national, international markets), and the social formation of production.

- Structure and evolution of employment by sectors of economic activities

The region's industrial sector has always had its basis in the local resources. During the middle of the 17th century the use of the region's ore started, based on the iron and copper findings at first place in Kengis, Pajala. But not until the exploitation of iron and copper ore in Gällivare in the late 19th century, did mining gain real importance in the region,

particularly for the LWPN study area. An important pre-condition of the large-scale exploitation was the building of the railway, especially between Luleå – Narvik, which opened in 1888. Another breakthrough for the industrialisation of the region happened, when water saw mills were replaced by steam saw mills on the coast. Large, mostly state companies became owners of the woodland instead of villages or single farmers and the largest rivers and its tributaries changed into transportation routes for the wood. Similar developments took place within the ore industry, which was, to some extent, situated on the coastal areas of the northern part of Sweden by means of State intervention. Especially after the Second World War, the importance of agriculture declined and rural areas lost population to urban areas. Since then, the structural problems in the region were tackled by means of regional policy. The implementation of the welfare state required an expansion of public sector all over the country, not least in North Sweden. Between 1970-1980's, the public sector increased exponentially in the area becoming one of the most important sources of employment.

During the 1980-1990's, the public sector and most traditional activities such as agriculture, forestry, mining, faced rationalisation, and structural changes that often led to unemployment. This development of structural changes can be traced in the population trend of the study areas. The population development in the region over the past 50 years shows large differences between the WPN and the LWPN. In the less well performing, a constant depopulation started already at the beginning of the 1960's. In contrast, the well performing area, faced the problem of out migration later, in the 1980's. One reason for this disparity may lie in the different economical basis of the two regions and, hence, a different vulnerability to economically decline of certain sectors. The emerging rationalisation in mining started the population decline in the LWPN followed by rationalisation in agriculture and forestry. The WPN was hit by changes later.

The population of the region is nowadays mostly employed in the health care and social work, forestry, mining and quarrying and manufacturing and wholesale and retail (Health-and medical care is by far the county council's largest enterprise employing about 25 per cent of the labour force of the LWPN. Mining and manufacturing is the second largest sector employing 22 per cent of the labour force followed by wholesale and retail; transport, storage and communication).

North Sweden has about 35 000 work places, most of them, including in agriculture and forestry, does not have any employees. Sixty-nine per cent of the total work places are in the service sector (for Sweden the average is 71 per cent), however, the region has a large share of work places in the forestry sector. The share of employed labour force in, for instance, IT related sectors is only half compared with the figures for the whole country. Among the new sectors, tourism seems to have a good potential for employment (8 per cent of the labour force is employed in the tourism sector, the same share as the Country's average) (Figure 18).

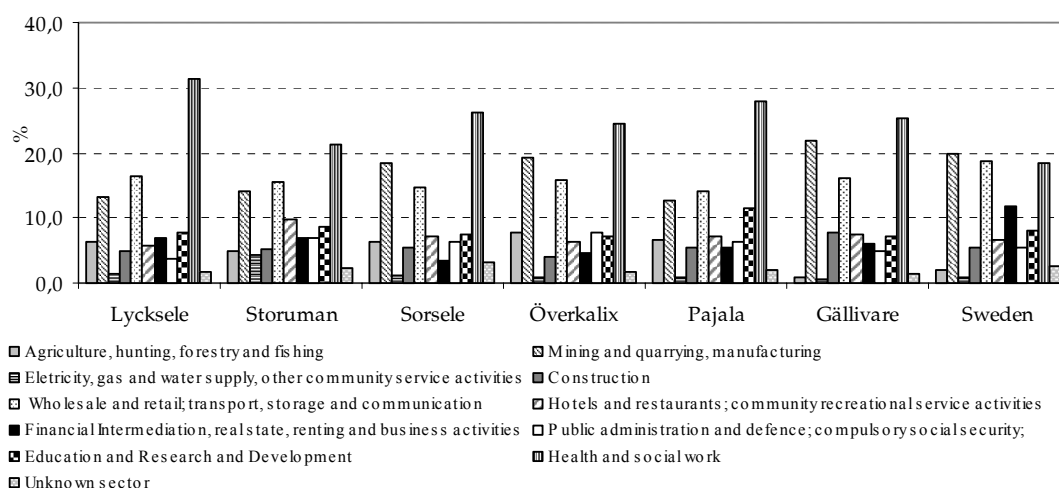


Figure 18 The north Sweden economic structure, WPN and LWPN respectively - Employment 1998.

During the 1990's the North Sweden region, as Sweden as a whole, had a strong job reduction. The main reason was a recession caused by the high production costs on Swedish export industry. One important factor was that during the 1980-1990's, the public sector and most traditional activities, such as forestry and mining, faced rationalisation. In the forestry industry these developments combined an increase in productivity (through implementation of new machines and techniques) strongly contribute to the region's job reduction, especially in LWPN area.

Table 35 The shift share analysis for North Sweden (%)

Study areas	Actual change	Predicted change	Differential component
WPN	-23,24	-17,00	-6,24
LWPN	-24,21	-15,98	-8,24

Findings from the shift-share analysis for the DORA study areas (Table 35) show that the national and structural/industrial components (equal to the predicted change) for both areas should have less employment reduction than they actually have. This seems to be because of their particular local conditions, which didn't help them to invert or even soften the grave impact of the national employment reduction. The LWPN area is affected by a worst differential component (-8,2), the worst of all areas. Its extreme peripherality (in terms of geographical location), sensitiveness to cut backs in the public sector and rationalisation of primary sectors (better machines/techniques, outsourcing) can provide a partial explanation to this relative poor performance.

- The mix of branches and linkages in the local economy

The initial hypothesis here was that a more diversified local context (presence of different branches of economic activities in the area) influences positively economic performance as it forms the base for stronger linkages and economic embeddedness. Thus, it could be expected that higher specialization makes a local economy more vulnerable to structural change and global trends but it also creates a set of positive elements related to the spatial concentration of interdependent activities (proximity²⁸) that may lead to economic dynamism through *localised learning*.

²⁸ According to Maskell (1998) the first is called *organisational proximity* and is deployed on the inside of organisation, this is related to (inter) dependence between organisations within a network, for instance. The second notion is *institutional proximity* that indicates the assembly of agents as parties of a common space composed of representations, models and rules being applied to thought and action (p.30). This form of proximity is tied to the interactions between agents, who can base a territory on a collective *learning process*, which might imply a certain geographic proximity among agents, a condition to exchange of information that is unable to be transported spatially by technical means.

One way to verify the degree of economic specialisation/diversification in the DORA study areas was by looking at the spatial distribution using spatial statistical measures. Ceccato and Persson (2001)²⁹ assessed the degree of agglomerations of economic activities by identifying trends in clustering patterns (spatial agglomeration³⁰) of employment for *traditional and modern branches* for the DORA study areas and check their location in relation to the national economic dynamics³¹. The main idea was to verify empirically to what extent the DORA study areas were placed in a national context in terms of degree of specialisation.

The findings show that the DORA study areas are in different degrees included in most of the clusters of traditional branches found - but not in a uniform way. Well performing areas tend often to be included in clusters composed of traditional private business, while lagging areas tend to be part of clusters in which the public sector (State, county or municipality) is responsible for most of employment, this is true mostly for North Sweden, areas characterised by low population density and high service employment per capita.

It is worth noting how far the clusters of *traditional branches* are located in relation to the Swedish main urban centres (especially Stockholm), mostly the private ones. This constitutes a clear indication of the late stage of the production cycle for these branches but also that the initial pattern of clustering for these activities depended historically on particularly favourable 'natural' conditions existent in that given location, which gave the specific region a competitive advantage over a certain period of time. Several traditional branches tend to be clustered either over the leading areas or the lagging ones, suggesting a clear pattern of specialisation also at study area's level. The typical examples are the branches of iron ore quarrying in LWP and the manufacturing and metal industry in WPN. Overlapping clusters within a study area may also indicate the existence of intersectoral relationships (linkages) in the local economy. For traditional branches, the linkages between mining/quarrying and transportation in LWP areas and inter-dependence of branches related to health care in the WPN are a good example.

Most of the robust clusters for *modern branches* are concentrated in the largest urban areas of Sweden but in some cases, also in other larger regional urban centres. Surprisingly, six out of eight clusters of employment in the modern branches that includes the DORA study areas are partially within the lagging ones. In other words, the hypothesis that leading rural areas would tend to be part of clusters of activities that characterise the modern economy, while lagging areas would remain in clusters of more traditional sectors of industry and public financed activities is partially false. It is worth noting that in lagging areas, five out of eight of these clusters are originated by publicly financed activities. This may reflect the effects of regional policy measures towards decentralisation, R&D and post secondary education. A complementary interpretation for this may be that these lagging municipalities are relatively close to the regional centres, they are large in terms of total population (e.g., Gällivare), have a relatively good urban infrastructure and, therefore, consist of more attractive targets for regional policies measures towards the decentralisation of university education and research in Sweden than small leading municipalities. Appendix 3 exemplifies the specialisation degree of two branches, a modern and a traditional. For modern branches, there are indications of inter-sectoral relationships for IT-related branches and specialised

²⁹ Submitted to Journal of Rural Studies in December 2000.

³⁰ Advantages of being geographically concentrated range from traditional factors of production for which the costs differ significantly between locations to more subtle factors related to information and technological diffusion is discussed by Maskell (1998).

³¹ Standardised Employment Rates (SER) are calculated and mapped using Geographic Information Systems (GIS) for thirty-seven economic branches. The Getis-Ord statistic is used to identify clusters of employment. The choice of traditional branches was carried out based on a pre-evaluation of the most common economic activities in our study areas out of approximately one-hundred branches from SCB's Firms records - *Företagsregister* (SCB, 1998). The classification of branches as traditional and modern can be target for criticism since the decision to place a sector as a modern or traditional was subjective. Perhaps, the branch of wooden furniture could be placed as modern since it depends partially of design-knowledge-based activities. The same could be said about Aluminium industry. However, based on historical economic traditions of the regions of study, it was decided to classify these branches as traditional. This selection was not only based on the total employees (at least 30) but also how common they appeared to be in other municipalities of the region.

education/research centres although they are in much less extent than the traditional ones. This may indicate that modern branches are still in the beginning of *product cycle*³² and are not enough integrated in local economic structure.

- Social formation of production

About 4 per cent of the total active population of North Sweden is entrepreneurial, which is the lowest share in the whole country. Between 1994 and 1998, more than 50 per cent of the municipalities had an increase of business start-ups (Table 36). Many inland municipalities, inclusive those belonging the North Sweden study area, have had a higher establishment of new business than the municipalities along the coast, possibly influenced by outsourcing process that took place mostly in the forestry industry. Far more important however, is that Objective 6 included measures to promote start-ups. Even if more and more women choose to start a business the share of female entrepreneurs is still relatively low.

Table 36 Business Start-ups (Average for 92-96 and 96-98 - enterprises per 1000 inhabitants)

	WPN	LWPN	North Sweden region	Sweden
1992-1996	10.6	5.6	8.1	8.9
1996-1998	11.8	7.8	10.9	9.3

Even though self-employment through outsourcing is not necessarily related to an increase in lower paid jobs, it keeps linkages of dependency to the traditional economic structure, and decreases potentiality towards economic diversity and makes the region more vulnerable to structural changes.

3.1.6. Institutions

'Institutions' here refers mainly to public sector institutions, specifically to states, government and governance in the local arena, within the framework of the EU. It is seeking to get at the ways in which activities of different levels and layers of government facilitate or hinder local economic development, especially, but not only, in relation to the private sector and community initiatives. The basic hypothesis is that by bringing government closer to the people, governance can be made more responsive and effective. In this study, this was assessed through three basic attributes: Institutional autonomy; Institutional co-operation; and, Institutional responsiveness and efficiency.

- Institutions autonomy

The hypothesis is that the greater the autonomy, the more likely it is that there will be positive impacts on local development. The issue here is the degree of freedom which local institutions have to act in the interests of the people of that area.

Since the Swedish political system is decentralised, the decisions taken at regional level often have an automatic impact at local level, where the policies are in fact implemented. As pointed out in section 3.1.2, within the past years, considerable changes have occurred, which have had an impact on the role of the Swedish state. From outside, adjustments of the institutional setting were adapted to follow the Sweden's decision to enter the EU to fulfil the requirements of EU policy. From inside, rationalisation of public sector and political decentralisation marked the 1990's, culminating in 1998 with the government bill (Proposition 1997/98:62) providing more power to the regions. One of the most important policy instruments nowadays has been the so-called Regional Growth Agreement (RGA), *Tillväxtavtal*, which decrees that all Counties develop defining strategies to contribute to the regional development based on each county specific needs. The background for this initiative

³² The term 'product cycle' borrows the meaning partially from 'product cycle' described by, e.g., Johansson (1993), p. 136-137, but in this specific case the term is more attached to the idea of product diffusion. Firstly, the 'product' is introduced into the market (eliminating concurrent products) mainly in the central areas, later it spreads over the territory, starting from the central clusters of production, slowing down towards the periphery and, in the late stage, its production became more effective or is just substituted by a 'new product' and cluster of production disappear also in the more peripheral areas.

was the poor development in many parts of country associated with high unemployment rates and population outflow. The RGA main principle is that a more open co-operation between actors at different levels and a better co-ordination of resources will result in economic growth. Besides this new formal structure, there is also a parallel form of action composed of local organisations (*byarörelsen*) that is traditional in Sweden and is worth noting. Little is known about the impact of these groups to stimulate development but there are over 700 000 people over the whole country (Herlitz, 1998) working ideally in networks to make their communities viable and improve their quality of life.

This recent institutional decentralisation may have positive impact on the long run on the region's economy since it theoretically improves its autonomy and, consequently, its capacity to solve its own problems. However, decentralisation has always been a typical characteristic of the Swedish system, which makes any specific analysis of the impact of these recent changes on the DORA study areas a difficult task. Thus, in the Swedish case, institutional autonomy per se cannot be taken as a differing factor for explaining performance among the study areas. Of course, even in a given decentralised system, institutions may not function in the same way all over the country – some areas will have institutions that are more efficient in giving 'voice' to local actors' needs than others, and this may be crucial to their economic performance. Besides, frameworks are set at regionally and nationally but the way each policy measure is implemented locally may vary in accordance to the politicians interests and ideology. This issue is discussed in the next subsections.

Differences between the areas regarding how policy measures are implemented locally may explain why in a very decentralised system as the Swedish, people still believe that more power could be given to local governments. Among the interviewees, the majority believe that the local businesses would cope better if the municipality had more power than it has today. The main argument is that local politicians 'know better' about the local problems, and therefore, would better apply resources locally. Surprisingly several interviewees in the WPN area pointed out the danger of giving more power to local actors, for instance, smaller communities tend to have 'the same people in power for a long time' which perpetuates 'the same old ideas' and limit innovation or even that there is a latent risk for 'patronage' that creates unfair competition in local business.

Do you believe that industry in these municipalities would better manage if it were the county rather than the state, which had greater authority? Yes, definitely. Absolutely. But this isn't generally so. However, just this municipality I believe would and that is because we have a very creative municipal administration, a visionary municipal management, and that appears to be rather rare. As such, the state is an inhibiting rather than a promoting factor so that in a critical moment, it is the county council which questions what is being done, instead of giving industry a vitamin injection and helping what is to be done (Politician, LWPN).

The municipality and the county administration board are part of the development that is happening. During the last fifteen years we've reached the realisation that the municipality has to be a part of the motor in the development of the economy. And this is happening right now, among other things in forming networks. In our municipality we have a part-time employee who follows up various companies and makes sure that they communicate with each other. This will happen (Rural Developer, WPN).

Yes, I believe so. I believe very much that those who have the greatest insight into things ought to be able to speak best about how to invest here. It would be remarkable if this were not so. Generally speaking, of course (Citizen, LWPN).

It is always unfortunately true that in the smaller municipalities there are those that stays in power the longest without being changed. That is a disadvantage (Entrepreneur, WPN).

The state or the municipality? I don't know. I don't know what is better, the state or the municipality. The municipality and the state should be used for those things that we people all want achieved. I feel that the municipality ups their nose into everything and wants to promote all kinds of activities. There are examples where municipalities have a competitive advantage over private people who want to start companies - they are of course tax subventioned and it is unfair for the other people who are to run their businesses. This should not be allowed. The municipality should devote their attention to things we all want. I don't know if the state or the municipality is better at dealing with this (It entrepreneur, WPN).

Yes, I believe so. That is because one can use the money locally in another manner. One can obtain another future vision, for example. One can be more participatory (Public official, WPN).

Yes, I believe this. The closer one gets to the decision makers, the better advantage one has. It is not the State, not the County Administration Board or those in Stockholm who think they know how we have it in Överkalix, but those who live in Överkalix. Those who live here see the problems on a daily basis. I think that it is more to make us look like fools to say that the State knows better. (IT consultant, LWPN).

- Institutional co-operation

The initial hypothesis was that, given institutional structures, which give ‘voice’ to local actors in defining and revising a common purpose, the public organisations are likely to be more effective and efficient in achieving that purpose if they co-operate than if they do not.

Besides the common local organisations composed of groups of interests, all study areas have local organisations or networks supporting contact between different local actors, such as politicians, entrepreneurs, employment service agencies, local groups and citizens (as part of EU policies). However, interviewees in the LWPN areas are not always aware of their existence or may have a more negative attitude towards these local partnerships than interviewees in the WPN area (see citations below). Most of the interviewees recognise the existence of these informal channels and see it as a positive characteristic of their ‘business environment’ or part of their quality of life (‘everybody knows everybody here’). They vary in type, few mentioned they use these informal channels to find new employees, exchange business information, and find potential buyers whilst others use them restrictedly for social and personal reasons. Regarding the type of these informal contacts, see section 3.1.8, on ‘networks’.

In the independent survey performed by SAF (1999), entrepreneurs and politicians were asked their opinion about how well local networks were promoted by the municipalities to support local businesses/entrepreneurs (Figure 19). The politicians evaluated the municipalities’ efficiency in promoting networks more highly than entrepreneurs. The average is slightly lower for the LWPN area among entrepreneurs than for the WPN areas. In general, they judge the municipalities’ efficiency as acceptable; the highest average was found in Storuman (WPN) and the lowest in Pajala (LWPN). Among politicians, the highest scores were found in the municipalities of Sorsele, Storuman (WPN) and Gällivare (LWPN).

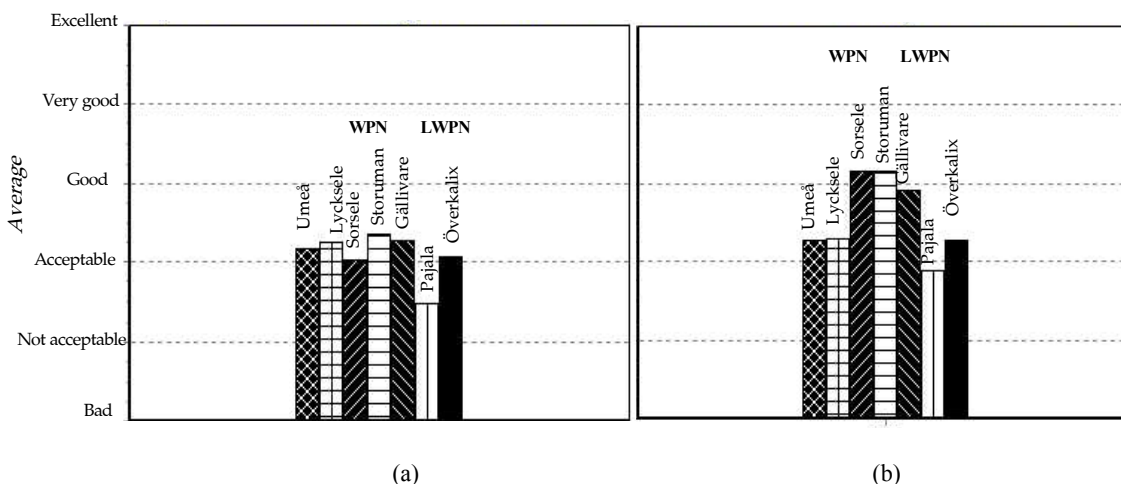


Figure 19 ‘Networks’ promoted for entrepreneurs in the municipality according to entrepreneurs (a) and municipal politicians (b), 1999.

Source: SAF, Företagarenkät SAF/Demoskop.

Does there exist co-operation among companies, the municipality and the smaller associations in any way? I don’t know if there is anything, for example, in the labour market board, there are representatives for the municipality and the labour market; so that I believe that co-operation does exist. But to what extent I cannot answer. **You mentioned before that in a small municipality everyone knows each other. Do you feel that this is positive?** I think that this is positive, but it may happen that sometimes it gets to be too much. Some people are in a difficult position; maybe they have made fools of themselves at one time, so that they feel they cannot do anything more here. So there are both advantages and disadvantages. Personally, I feel that knowing everyone is an advantage (IT entrepreneur LWPN).

Are there any informal channels for the exchange of information between business people and civil servants? Considering that this is a rather small municipality, that people have known each other since school age and things, I think so. Absolutely yes. Do you think that this is good? Yes, both good and bad. Many times one experiences friendship as being too overwhelming, if one can put it that way (Local organisation, LWPN).

One works together very much with the municipal budget and very much with the Growth Treaties, but also with the local partnerships, who start projects, business ideas, and put groups together which normally would be together, except that when it comes to having the same interests, it is, "what could we do..." The local partnerships - this is something that no other municipality does. It began this year (Public Official, WPN).

There is not so much co-operation. **What does that depend upon?** I would like to believe that there are traditions that one... that there are certain schools, which have developed co-operation. There isn't very much co-operation. We have tried working with companies. **What is the co-operation like in this building?** I should think that it could be developed but I believe that this is what is happening right now (School leader, LWPN).

- Institutional responsiveness and efficiency

The hypothesis is that the more open and accessible the policy process, and the more that process influences choice of priorities by public bodies, the better it is likely to be for local economic development. Here we deepen the issue of responsiveness by looking at particular services, which institutions provide, and how well these are provided (efficiency). The general hypothesis is that efficient public institutions are a necessary component in local economic performance.

One good indicator of institutional responsiveness and efficiency is measured in how local actors perceive municipal rules and bureaucracy. Figure 20 illustrates the perception of entrepreneurs and politicians of the municipal rules and bureaucracy according to SAF survey in 1999. In comparison with the whole Sweden, entrepreneurs in all DORA study areas (and Umeå, a North Sweden large urban centre) perceive the local government as bureaucratic. The most unacceptable cases were found in the LWPN municipalities, Gällivare being the worst example, both according to entrepreneurs and politicians themselves (the only exception is among politicians in Överkalix). These findings indicate that even though there seems to exist a common platform to stimulate business locally (Business association, networks, municipal joint companies), entrepreneurs feel that this is not enough in North Sweden, and especially in the LWPN area.

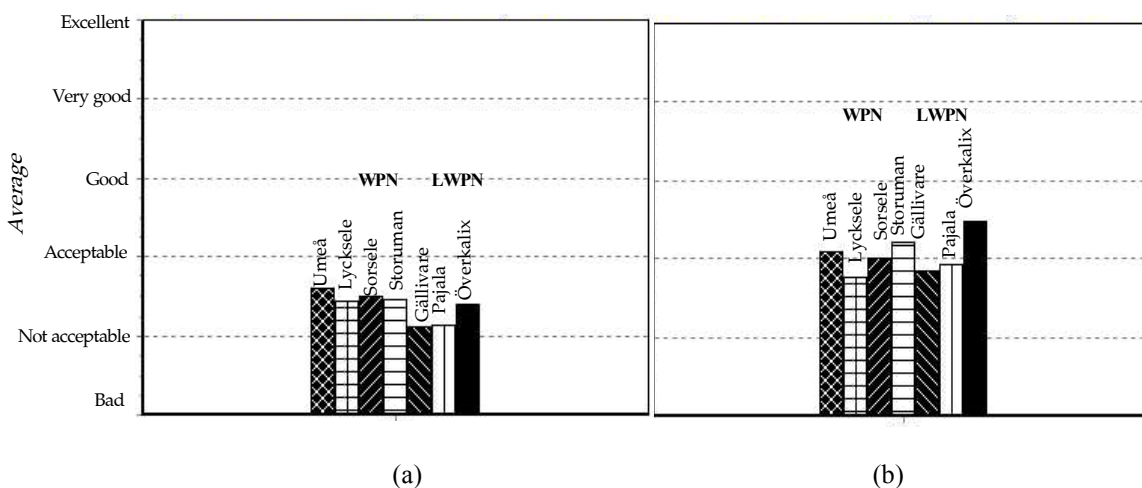


Figure 20 The perceived municipal rules and bureaucracy according to entrepreneurs (a) and municipal politicians (b), 1999.

Source: SAF, Företagarenkät, SAF/Demoskop.

The picture of having the LWPN areas as the less ineffective and more bureaucratic is not as clear as the survey results showed, when looking at the answers from the interviewees (see citations below). Many recognise that is not an easy task to try to turn a negative trend after so many decades downhill, they believe that politicians 'do what they can' for their communities.

Do you think that the municipality can use their money in an effective manner? No, not always. I think that one could privatise more, and use entrepreneurs and services such as caretakers, cleaning people and such things that now fall under the auspices of the municipal government, and we know, even the politicians concede that money could be saved this way: but one is locked by the unions and various people, the politicians, who do not want to deal with this. Because there is very much leftist leanings, which I suppose is part of our nature, one ought really to be able to be more effective, and compete with the municipal sector much more - one would definitely save money (Citizen, LWPN).

Yes, it is more likely... the problem is really one of a question of resources. The democratic process and the desires of the local people surface both in the political context, where much of this goes to establishing services, such as care taking, social welfare services and schools. The basic taxation foundation is diminishing, and the municipality's economic resources aren't enough. But there is a general tendency (Rural developer, WPN).

Do you think that civil servants can be flexible with the rules they have or do you think that they are bureaucrats?

I believe that they are flexible, and that is the advantage with everyone knowing everyone else. But they are flexible within limits of what the law allows. They would not do anything crazy but hold themselves within the laws (IT entrepreneur LWPN).

Do you think that the municipal politicians and civil servants work well here? Both yes and no, naturally. We cannot mix them together; politicians are one thing and civil servants another. As far as the civil servants go, there is a capacity, which is needed, give or take a few, but one must have a good growth-inducing policy, which demands a flat organisation. It must be accessible to the decision makers and the decision makers must be in agreement - this is of course extremely important. Here we are very close to the decision makers, I can take the phone and call anybody anytime and get a quick decision but we are also suffering from a kind of "I can do it myself" syndrome. The politicians, the opposition, think that we can manage ourselves. They say that here, we should not need to purchase know-how from Stockholm, we should not need to bring in consultants who think anything else, but they think we should do it ourselves. And this is the attitude here in Norrland, which becomes more fanatical the further North one travels, and it is catastrophic, because we truly cannot do it ourselves, we do not have the competence ourselves. We must hire the competence. So that the best thing would be if one were politically unanimous in economic development questions and that this must not be questioned, but that we ought to have loud and clear projects. But this is not what is happening and here one has to run over the opposition (Public official LWPN)

It's not possible to go with high horses in a municipality like this one; politicians and civil servants are like everyone else (Rural developer, WPN).

I believe that Lycksele is small and that it is like... it's very much that one knows each other, one is in the union, one works in the municipality, one is a politician. I have a feeling that we are so close to each other (Local organisation, WPN).

The politicians are a bit ignorant. It's obvious that I think so. They have a very hard time understanding what it is that we do in this company. But I cannot compare our situation with that of the other municipalities (IT entrepreneur, WPN).

Do you think that the municipal civil servants can act flexibly with their rules and regulations or do you experience them as bureaucrats? That was a difficult question. Well, both yes and no. Yes, they are relatively flexible, but we haven't had the problems in this municipality, which others have had, that is, having a group of legal ship wreckers who go in and dig among all the decisions and see that everyone follows the protocol to the letter. And everything is appealed and sent back and reported and this is devastating. There are naturally reasons for this, but it makes the civil servants more wary and careful. They will always make sure that they have their backs free. These legal ship wreckers aren't going to find anything at fault with me, they think, and then it is almost better to say no to a decision, than say yes. That makes for a more inflexible organisation (Public Official, LWPN).

3.1.7. Market performance

The basic assumption in this analysis is that inefficiencies in the market performance (focus on market failures) tend to increase costs of production, affect the area's competitiveness and influence negatively economic performance and growth. Market inefficiencies constrain also the efficient allocation of factors of production in the production process and may result in higher costs or lower levels of production and generally influence negatively economic performance.

- The capital market performance

Local business access to "financing for investment undertaking" is a key component of capital market performance. Lack of access to it constrains economic activity and economic performance in the area.

As presented in section 3.1.4, investments, the WPN areas receive in general more financial support than the LWPN areas. It seems also that the WPN areas spend more money in measures to stimulate businesses and new start-ups (see Västerbotten's RGA, for instance). Although this constitutes only a crude indicator of the potential capital available towards local business, it may shed light on differences on the local actors attitude towards entrepreneurship between the areas (confirmed by section 3.1.9, Culture), which certainly determine the 'business climate' of each area.

- Natural resources market performance

Priorities on environmental protection and bio-diversity have increased environmental regulations and have affected natural resources uses and practices (protected areas, agro-environmental practices, environmental impact assessment of investments). However, regardless the study area, protection of natural areas is not perceived by the interviewees as a factor that limit economic development in the region (e.g., Sorsele has one of the largest natural reserves in Europe in the municipality that is protect as a area of National Interest), quite the opposite, they believe they constitute an element of attraction of the area. Thus, natural resource and environmental protection results in the formation of “new resource-based assets” the commodification of which influences economic performance, which is better exploited in the WPN area through tourism activities than the LWPN area. Even though both study areas are directly dependent upon their natural resources (either as forests, water or landscape, mountain areas), interviewees affirm being in accordance to most of the environmental laws.

- Market of good and services

One aspect that most interviewees define as one of the largest disadvantages of their area was their location, that is to say, long distances to the main centres, consumers and producers, labour force (see citations below). Since the LWPN area is part of the northernmost part of Sweden, interviewees there perceive the problem of remoteness more often as a problem for their businesses than in the WPN area, even though many also believe that this is a traditional limiting factor for their economy. Even though the Swedish system covers part of these cost differences, this still implies higher transportation costs for goods and services produced. Higher costs reduce relative competitiveness of the markets and negatively influence economic performances. Regardless the areas of study, interviewees declare the remoteness of the region and the limiting quality of life (in terms of making choices) as a pull factor to attract skilled labour force, which may also contribute negatively to the region’s competitiveness.

What do you think are the greatest disadvantages in this area as a market for goods and services? The disadvantages are the distance to the markets, one can say we have a long way to reach the great market, the Continent, Germany, England, France. This is the greatest disadvantage, that is, the distance to the large market (Entrepreneur, LWPN).

About the goods I don’t know but I do about the services. Norrland is a bit backwards (as far as customers go), in my branch... For example, there is a tradition. People are more afraid, many do not want to have the community-offered home services, and they work three years and that isn’t much anyway. We feel that we are women and can clean ourselves... much of this is what one can do oneself and (so we do) not buy services. The retired people buy services. We have an environmental profile, which means that we use environmentally friendly products, which keep as long as possible. That is a good argument (Entrepreneur, WPN).

The access to the people. That is, the market, purchasing power is quite limited so that in order to have the same purchasing power as in Stockholm we would have to have an area of about 500 kilometres. And that is not possible, you know. So that the region cannot pay its way, the local market cannot manage to bear the burden of development, an industrial development at all. However, we must be regional to survive, and that applies both to the tourist industry and the IT industry. **Are the local companies close to the markets for goods and services? You stated that most of them have a regional market, how does transportation work, is it well developed?** Yes, well, the “norrlänning” - the northern inhabitant, is constituted in another way. That which is 100 kilometres for a northerner is like 10 kilometres for a Stockholmer - that’s a very relative question. People around here don’t consider it a greater problem to travel to Luleå, it’s about an hour’s drive, you know. So that instead of talking about distance, one should be talking about time. For a Stockholmer it is like traversing the distance through the city, that takes an hour. So that it takes just as long for us to travel down to Luleå. Although we are finding out that the expansion, the growth is happening in those sectors that are distance and time dependent. Therefore it must mean something (Public Official, LWPN).

There’s too little of a market demand regionally. What we produce here is what is demanded here and then distance becomes significant. It is far away to the consumers. There is a rather similar, homogenous production within the region. The same thing is produced and it isn’t very supplementary. This has affected the development of the economy a great deal. There has been a great deal of talking and stimulation of the co-operation and enterprising spirit and some direct contributions have also come here. However, not to a very large extent (School leader, WPN).

We are a bit far away. It is very difficult to get IT here. How are we to freight our goods? (Leader, Local resource centre for women, WPN).

3.1.8. Networks

A network is generally defined as a specific type of relation linking a defined set of persons, objects or events (Knoke and Kulinski 1982). For the purposes of this research, two types of networks are assessed: the *formal* (formal networks are created, or initiated through the existence of a legally binding contract) and *informal* (informal networks are loosely distinguished for formal relations by their non-legal character and are composed of a wide variety of relationships individuals have with kin, friends, acquaintances and neighbours). Emphasis is also given to the so-called *internal* and *external* networks; that is to say, internal networks are those that take place between any group of individuals within the local community. External networks, on the other hand, relate to those involving a process of information and exchange between members of the local community and the outside world, whether it be the region, country or the international community. Based on these assumptions, our initial hypothesis was that “strong, efficient networking activities, whether spatially proximate or otherwise, within, and between, the various sectors of economy and society aid local economic development through the exchange of information, ideas and the processes of innovation”.

- Local embeddedness

Local embeddedness³³ stands for the extent to which entrepreneurs and local actors are embedded into the social networks of their locality. The initial hypothesis is that strong local embeddedness via the informal social networking activities of owner/managers aids local economic development through the exchange of information, ideas and the processes of innovation.

In North Sweden, as in other parts of the country, partnerships promote co-operation between local organisation, entrepreneurs and local government through LEADER projects³⁴. The projects involve municipalities in LWPN areas (such as, Skogslandet, in Gällivare) and in the WPN areas (Sorsole and Storuman). One of the most known examples is the LEADER group Stad och Land - Hand i Hand (*City and Countryside - Hand in Hand*). The local action group is run by a board of directors whose 22 members represent the public, private, cooperative and not-for-profit sectors. The project bases its intervention on the synergies between the city and countryside, including the university.

³³ Granovetter, M. (1985).

³⁴ In countries that already had a rural development policy, LEADER often intervened to fill any gaps or improve what already existed. Thus, in the Nordic countries the local action groups (LAGs) adopted very targeted themes for their action programmes, such as equal opportunity for men and women in Sweden. For the other Member States, the LAGs often had horizontal strategies for economic and social development with strong community involvement (Jouen, 2001)

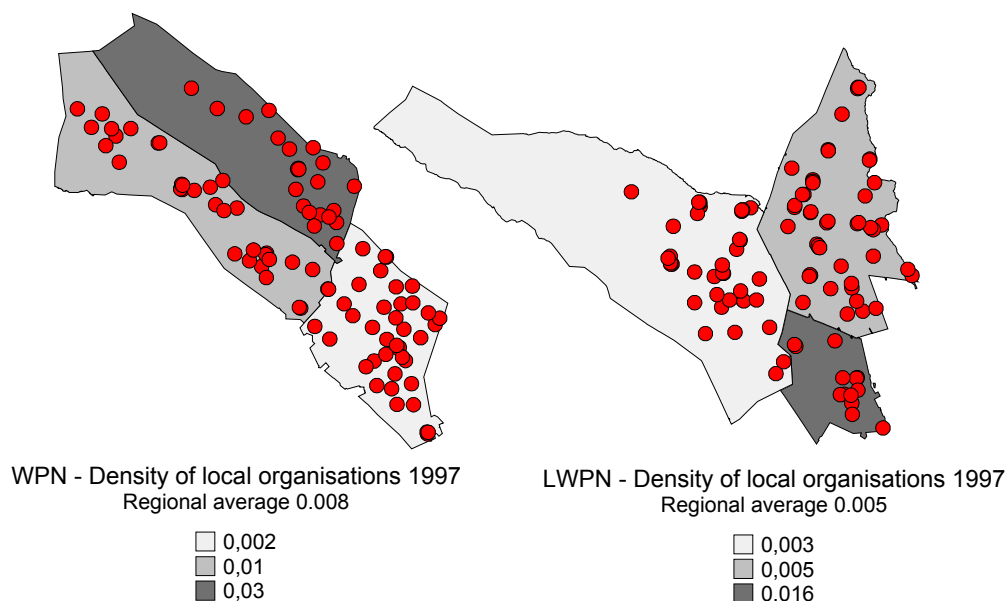


Figure 21 Density of local organisations³⁵, organisations/inhabitants 1997.

Regarding businesses, all study areas in North Sweden have the traditional business organisations (*Företag föreningar*) and also other types of networks, often promoted by the municipalities, meant to give support and stimulate entrepreneurship.



Figure 22 Integrated actions towards local development: example of partnership between school and businesses at local level in Norrbotten and Västerbotten Counties.

Municipal development of joint authorities/companies (*Kommunal utvecklingsbolag or fond*³⁶) is a typical Swedish approach to stimulate business locally. They are also common in the study areas, generally owned by the municipality in conjunction with local businesses (which often have majority representation on the board). These formal organisations are, in general, set to further stimulate and support development of the local businesses but also attract new ones to the municipalities. They differ in activities performed but often they include projects and development work, consultancy, financing and other activities

³⁵ The database includes only the local organisations that are registered at the Popular Movements Council for Rural Development (Folkrörelserådet).

³⁶ In WPN area, Lycksele General Business Foundation, <http://www.lyan.com/>, Storumans Utveckling AB, <http://www.storuman.se/>, Sorsele Allians AB, <http://www.sorseleallians.se/>, in the LWPN area, Pajala Utveckling AB, <http://www.pajala.se/welcome/index.html>, Överkalix Utveckling AB, <http://www.overkalix.se/naringsliv/>, Expandum - Gällivare AB, <http://www.expandum.se/>

supporting existing businesses and competence. They are focused on attracting new businesses that suit the traditional economic structure of the municipalities, especially those unaffected by the region's geographical location. They also have a broader approach, which includes stimulating businesses in new branches from locals and implementing complete new sectors (IT-centre in Överkalix or medical technology in Gällivare) with enterprises coming from the country's largest centres.

There are reasons to believe that even though all the study areas have municipal joint companies, they do not function in the same way across the study areas; that is to say, the ones in the LWPN are less efficient in stimulating/attracting new business than the WPN area. One indicator is the differences in business-start ups between the leading WPN (12 per 1000 inhabitants) and the lagging area, LWPN (8 per 1000 inhabitants).

As pointed out before, all study areas have local organisations or networks supporting contact between different local actors, such as politicians, entrepreneurs, employment service agency, local groups and citizens, even though they are not always aware of their existence or are in other cases, critical about their role as a non-elected democratically organizations (see citations below). Traditionally in Sweden, there is also a parallel form of action composed of local organisations. They vary in type, from leisure organizations, networks for supporting (female) entrepreneurship to those directly involved in stimulating local development. They also vary in number throughout the DORA study areas. Figure 21 shows the density of local organizations per inhabitant/municipality for the study areas and Figure 22 illustrates few initiatives of local partnership in both study areas, which provide strong evidence to the relation between the existence of social networks and economic performance.

Informal networks, do they exist and are they good? Yes, it is obvious that within this branch in Överkalix, there exists co-operation. I know that there is criticism and suspicion about the companies not co-operating, but in this branch in Överkalix, that is wrong. We are very good at co-operating and creating a co-ordinated organisation with other companies within the branches that are found both in the Kalix and Övertorneå municipalities. And it is a common ambition that we shall be stronger and help each other through co-operation. So the networks exist, that is absolutely and definitely so. **Does that really exist or is this a hope?** Yes, this is happening. **Do the informal networks have close relations to the municipality's civil servants?** Perhaps the network isn't the first thing that works here. The situation is different if it is about possibly renting a locale or something similar, from the municipality - that can happen by using network contacts. Otherwise there have been certain cases where we business people have called on the municipal representatives in various contexts. When it is about information or a special issue, but even if the municipality has assembled similar interest groups, by way of the industry organisation. So of course, there do exist networks, both of a formal and an informal nature (Entrepreneur, LWPN).

How do you view village associations and rural associations? I am rather critical about these rural associations - and now I will be provocative and say that I think they do not function. It's a little too much dreaming to have that marmalade factory in one's living room. One must actually be more professional even though it is on a small scale. I think there is too much rambling on and that is what I damn well believe, I do. That is why there isn't any development to speak of here, because there is a lot of rumbling, actually. As an example, in this municipality, I think that there ought to be a refinery for marmalade, fruit juices and berries, and why? Well, we are in the middle of a cultivation area for this produce and what do we do? This is classic - we send the produce away from here for refining, to take one example. But I don't believe that this is about making 1000 jars of marmalade, but about the entire operation. It ought to be better to refine the produce here and then sell the finished product (Entrepreneur, LWPN).

We contact other companies; we have lunch together and discuss things. We often have "after work dinners" with various businesses. Mostly to exchange information. This is a very good way of communicating. They know what we are doing and they know what we are working with, and so one always knows where to look, if the need to find something should arise (Entrepreneur, WPN).

What does the co-operation between male and female business people look like? Well, that way it is that the business organisations are rather male-dominated; there are mostly men only. Women are always in the minority. There was one case of a woman who wanted to join the business organisations and participate in the meetings and she thought that it wasn't very amusing to be in the meetings. First of all, she was alone, and secondly it wasn't a matter of feminism (sexual discrimination). Women often do have small companies (and the men have larger companies). In that way, business life is extremely male-dominated. The network doesn't work, at least here, as far as I know. There may naturally be exceptions. There is one woman who works with construction and she has infiltrated their market, and she is accepted very well. There are naturally many women who work with their own companies in their leisure time, for example, in ceramics. A woman might introduce herself as a "ceramicist", but many would say "ceramicist,- what?" "That's no job". Although maybe she has supported herself for 15 years at this. It is the men that have difficulty in accepting that this too is a job (Local organisation, LWPN).

We are the municipality, which has the most assembly locations. Politically, we haven't been praised because the villages have their own assembly halls. A few of them will dwindle away, but it is up to the villages to decide their own fates. If you want to survive, you will survive. Those who want a lot, will get a lot of money and those who don't want, won't get any. Development is built upon voluntary workers, but the assembly halls are a meeting point. All assembly locales are connected with Internet.

The pensioners unions have begun with computers and have become really interested. Last Friday, my hardware programme broke down, and there you go. You see how dependent you are. Technology is wonderful when it works. The study circles are also a motor in this. In L, various study circles such as ABF and Adult School exist. This differs in various parts of the country. I am not making any political value judgements about the development in the villages, but it is having the will power that counts. If I were to make a political value judgement, I would say that it is the labour movement's childhood that is faltering. We have made the IOGT buildings, the People's Union building and so on. As long as one has visions, one can see how active people really are. I am an old Social Democrat and a union person, and we have a little longer weaning period than others do.

We have got used to certain patterns, and one of them is that it is always someone else who should do it. This attitude is beginning to abate, because if you are going to do it, you had better do it yourself. It's more difficult in the densely populated areas. The start was a threat; a school was to be shut down, villages decreased in population. Today it isn't so much a threat; it is more like happiness to meet each other. It is the usual human need. Everyone likes each other but only if they get the chance to do so. There are also study circles going on and so on. We were once upon a time a hunter society. In a hunter society, one worked maybe three hours a day to survive, and then comes the question: what to do with the rest of the day? Those people were sitting around the fire and having good conversation with each other and today we have the study circle. The study circle is still the only completely democratic way of meeting, irrespective age, knowledge and so on (Rural developer, WPN).

The unions are important. There are many clubs and unions but sometimes the participation isn't very large (Public Official, LWPN).

And the network is something that really exists? Not really. The absence of the network is quite a negative factor (Large enterprise, LWPN).

We have ongoing meetings between the authorities and the local actors. It leads to these dialogues about listening to the needs of the industry and to other actors, as against the authorities, above all, in this case, the municipality, who in its turn has needs carried further to the county administrative board and other regional organisations. **How does this affect DEP?** Hopefully, in a positive way. However, one may say that some networks may work to preserve the powers that be; they preserve the old power structures and don't allow new creative ideas to surface. So that they can be perceived as a hindrance to the more informal structures of power (Politician. WPN).

- Global communications

Strong global communication links, in respect of formal and informal networking activities, between entrepreneurs and individuals or organisations in the rest of the world aid local economic development through the exchange of information, ideas and the processes of innovation. This involves an examination of whether there are strong formal and informal communication links between local entrepreneurs and the rest of world, and if such networks are beneficial to the development of the local area.

Most of the interviewees, especially the entrepreneurs, declare having contact with other areas/enterprises/countries. For enterprises that are dependent upon a local market, these contacts are outside the limits of the municipalities. Among those who have a broader market, the extent and type of these contacts vary; sometimes the contact results from the fact that they are part of a large enterprise that is headquartered in Stockholm or in another country, or most of the clients/subcontractors are found outside the study area. No clear pattern was found among the study areas.

However, when entrepreneurs and politicians judged how well their contact was with universities in the region, those belonging to LWPN areas declared themselves to be less satisfied than those in the WPN area as shown in Figure 23 (entrepreneurs were considerably less satisfied). It is worth noting that the entire North Sweden assessed their contact with the regional universities as nearly unacceptable. This can certainly be explained by the fact that the region still has a very traditional economic structure that is less dependent upon knowledge-based services/activities that universities may provide to the region, so, entrepreneurs would take little advantage in keeping such networks. Another interpretation would be that they already see the potential in having such contacts but little support is given to establish in practice these contacts. The 'more positive perception' among politicians may also be related to the fact that politicians are nowadays actively involved in building an educational infrastructure locally (promoting temporary university courses, such as in Lycksele, Sorsele and Storuman and Pajala) which has not yet impacted on the entrepreneurs' demands for labour force.

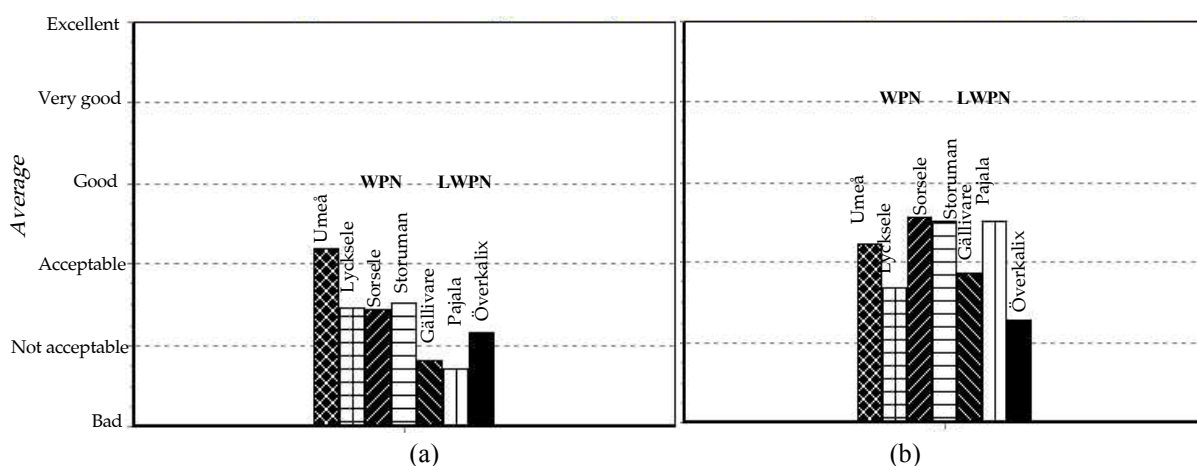


Figure 23 Enterprises' contact with universities in the region according to entrepreneurs (a) and municipal politicians (b), 1999.

Source: SAF, Företagarenkät SAF/Demoskop.

- Information technology and innovation

The initial hypothesis was that formal and informal networking activities, facilitated by the use of information technology, aid local economic development through the exchange of information, ideas and the processes of innovation.

At study area level, all municipalities have homepages, sometimes with basic information in English, mostly related to tourism. Interviewees in the WPN areas use as much Internet/email as those living in LWP (mostly public officials and entrepreneurs). Little can be said about the use of information technology as an instrument to facilitate network activities in our study areas by looking at figures at county council level. Perhaps, there is some indication that part of the WPN has the higher access to computer and Internet, at home and work than the LWP (Table 37).

Table 37 Access to computer and Internet - home and work 1998 (16-64 aged population).

County	Computer home (%)	Access to Internet (%)	Access to internet/computer(%)
<i>Home</i>			
Västerbotten	56,2	30,1	53,6
Norrbottn	47,9	26,9	56,0
Sweden	52,1	29,2	56,0
<i>Work</i>			
Västerbotten	64,7	47,1	72,9
Norrbottn	59,0	39,0	66,1
Sweden	59,1	38,5	65,1

Source: Statskontorets undersökning av internetanvändning. Tilläggsundersökning till AKU maj 1998 med halva AKU urvalet.

I definitely believe in the new target groups that unite by way of contacts - and that they are here regionally, nationally and internationally (Politician, WPN).

Yes, to a great extent, even locally. When the technological programme for gymnasium was developed the director of Edlunda Timber was a part of this and he used his external contacts. Those people who are active here are very active. You gain a loyal, stable work force that will enable you to deliver punctually during a long period. As far as the designing part and other things go, you'll need more. For the basic industry, however, it works well (School leader, WPN).

We are part of a large corporation and we have subsidiary companies. We also have our contacts and our supplies, most of whom are to be found in Sweden and Finland. Naturally we have contact with the customers as well. We try to establish co-operation with some of our customers, especially those in research and development (Lare enterprise, LWP).

The major concerns have networks in other areas, perhaps abroad as well. (Entrepreneur, WPN).

You are an IT company, but nevertheless a business concern. Is Internet well established? There are companies, such as "Backpackers" in Jukkasjärvi, who use Internet- they buy and sell using Internet. But I don't believe that Internet is as large as it could be. I do recall that there are companies who have participated in training programmes for Internet use, here. Basically, a lot of it has to do with the anxiety of buying and selling, and that security must be absolutely certain (IT entrepreneur, LWPN).

And your company, what does your network look like? We also have intranet, so that I can send my e-mail to Stockholm from here. We have both Internet and our intranet within the entire company. In this way we are tied together, and that is very good indeed. We have offices in Stockholm, Norrköping and comprise a total of 25 people. Here in Överkalix there are 6 of us (IT entrepreneur, LWPN).

We don't have a homepage. We have e-mail but it isn't used very much. On the other hand, we have had a computer course, of which six people participated. The youngest person was 60, I believe. Now there are two people working to practise. The computers here are available to everyone. One pays 10 SEK an hour (Local organisation, WPN).

3.1.9. Community

'Culture' subsumes here local traditions, identity, values and beliefs, attitudes, religion, history and leadership as well as political beliefs and allegiances. All these aspects are expected to influence indirectly economic performance.

- Forms of community and identity

Regardless of the area of study, interviewees rarely declare associating their identity to their municipality (or study area), instead, most of them declare themselves to be a person from a larger geographic area, from "inland" or from North Sweden 'a Norrlänning' (see citations below). This broad self-labelling stands for honesty, a specific accent, for being a quiet person that speaks to say something important. This may indicate a kind of lack of attachment to the local communities, where they work and live, but also that people living in North Sweden are relatively mobile, which influence their identity, making it much more diffuse. However, there are indications that the local identity does exist and is expressed by the organisation of festivals and markets in both study areas³⁷ (e.g., Sami Weekend Festival in Sorsele (WPN), Pajala and Överkalix cultural markets (LWPN). These festivals are indications that local traditions and history are perceived as assets but it is difficult to affirm to what extent they directly impact economic development (Figure 24).



Figure 24 Pajala and Överkalix markets: yearly fair based on local traditions.

Yes! (Laughter). I am from the North. This means that I am honest. People listen to a "Norrlänning" - those from southern Sweden know that a northerner only speaks when there is something important to be said. Otherwise, we keep quiet. If a Stockholmer comes here, anything can be said, but now with a northerner. If you want to give a serious impression, you'll not go wrong if you are a northerner (IT entrepreneur, WPN).

³⁷ General grants to local government are directed to promote community quality of life and local culture in the municipalities. In 1998, The WPN area received 2108 Euro/capita/year from the Swedish national budget against Euro SEK/capita/year in the LWPN and 956 SEK/capita/year (NUTEK, 2000b). Another indicator was the RGA budgets for the Counties of Västerbotten (WPN) and Norrbotten (LWPN). As much as 10 percent of Västerbotten budget was reserved for "Quality of Life: Service and culture for growth" while in Norrbotten, it reached 16 percent under "Culture, cultural environment and cultural heritage" in 2000 (Länsstyrelsen Västerbotten and Norrbotten, 2000).

If I live here, I am a resident of Överkalix, and if I go to Luleå, I am an Överkalix resident, but if I go to Stockholm, they think I am somewhere from the North, some kind of northerner. Someone from Överkalix is unknown to them. Then you have to relate this to Luleå, which is 100 kilometres north of Luleå, and then their mouths drop open. Because nobody can live that far North - they think! (Representative for the Literature Centre, LWPN).

I am an inlander. That means that one is used to having very little extras during one's childhood. "It won't pay" is a typical local expression. This is about having a negative attitude; one is a little melancholic and serious. What I think is that one cannot be happy, one cannot believe in success. It is very pronounced. Everyone up here is aware of this attitude, but it is difficult to change (Citizen, LWPN).

I am from the very North. I wasn't born and raised in this municipality, but have lived in Överkalix for the past 25 years. **What do you feel like then?** I feel like a northerner because I have my roots about 150 kilometres from here, and it still feels like home. In August, we will have a large class reunion, where all former students from the fifth grade for the past 20 years are to meet. This is proof that one feels the connection in even another context, with the people here (Entrepreneur, LWPN).

- Religion

Religion refers to the organised expression of being tied to a shared notion of the world. We wished to investigate the degree to which communities are formed around participation in organised religious activities or despite them. In WPN areas there seems to be a stronger influence on daily life from various religious groups (State church and Free-church groups often co-operate with each other) than in the LWPN areas. Interviewees in the WPN areas more often knew about the existence of religious groups, events and other gatherings supported by these organisations (see citations below). However, most of the interviewees were sceptical about the direct influence of the religious groups in the local economy.

Are there very many religious groups active? No, there are not. Previously there were more groups, for example, a fundamentalist group, "Laestadianism" was active in the area, but their numbers have decreased substantially. So that today around these parts you'll find the Swedish State Lutheran Church. Well, it is no longer that State Church. There aren't any other groups. The "Laestadianists" have been active here and a few remain, certainly, but I am inclined to believe that all religion is on its way out more and more, or at least it has diminished (Public Official, LWPN).

There have been a large number of non-state religious denominations. They have a considerable role in the leisure, cultural and day care activities. In Sorsele, the Pentecost church is the leading one. But the church doesn't affect the economy, I believe (Rural developer, WPN).

The Laestadianists remain active here and I believe that they even have a history going back in time, locally, that is (Journalist, LWPN).

The Pentecostal Church, The Mission, The Jehova's Witnesses, The Swedish State Lutheran Church. Yes, these all affect the economic development here. I heard the expression that Lycksele is the Jerusalem of northern Sweden. There has been a large density of free, fundamentalist churches here. The Pentecost Church is extremely strong and very active in events. Once a week they have activities, this happens year after year. This is both nationally and locally, people come from the entire country. The Pentecost Church and the Mission Church are active in the economy (Politician, WPN).

Do the religious groups come to mind often? No, Not that I have noticed (Large enterprise, LWPN).

- Values, beliefs and attitudes

The intention here is to characterise the character of the people of an area, as seen by themselves and others (self-labelling features) and their attitude about entrepreneurship in general. These features may be an important part of the story of what makes particular areas distinctive. People were asked if they find these stereotypes to be accurate or meaningful in relation to DEP.

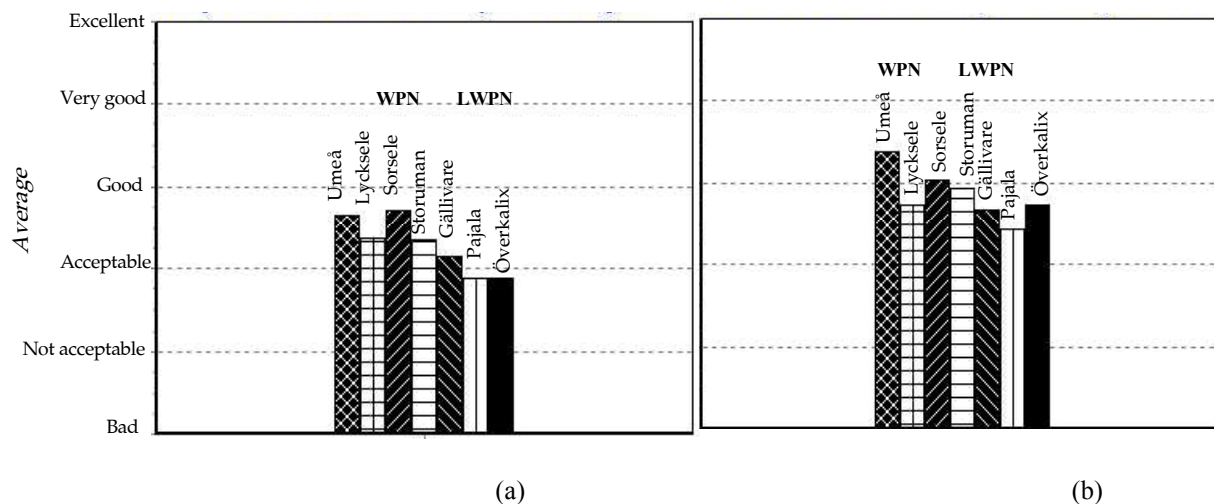


Figure 25 General attitude towards entrepreneurship according to entrepreneurs (a) and municipal politicians (b), 1999.

Source: SAF, Företagarenkät SAF/Demoskop.

People in WPN areas are more positive towards entrepreneurship than the LWP area - at least according to entrepreneurs and municipal politicians' perception of the business climate in these areas (Figure 25). This difference between study-areas is also confirmed when entrepreneurs declare their perception of municipal politicians towards entrepreneurship (Figure 26). A complementary picture of the local attitude is given by histories surrounding features that are pointed out by the interviewees as representative of their local/regional identity (see citations below).

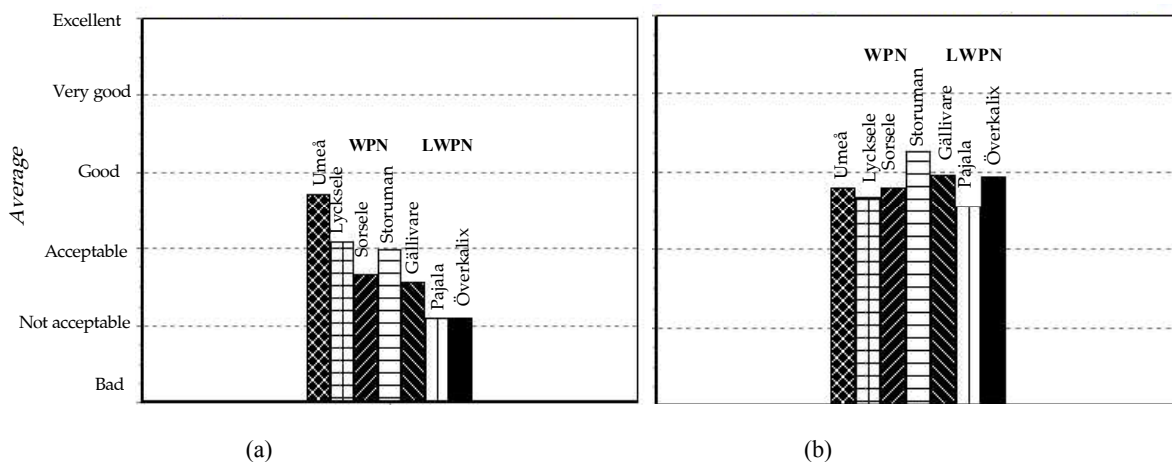


Figure 26 Municipal politicians attitude towards entrepreneurship according to (a) entrepreneurs and municipal politicians (b), 1999.

Source: SAF, Företagarenkät SAF/Demoskop.

At first glance a uniform regional/local identity cannot be detected in the study areas. Rather, they vary from a very negative picture they have about themselves (from 'people coming from North as being lower educated', 'here everything goes slowly', 'tradition of dependence upon central government', 'focus on the bad side of things instead of looking at the possibilities to making things', lack of co-operation between entrepreneurs – instead there is a clear envious behaviour among people, 'clear traditional gender roles, chauvinism') to a very positive one, sometimes mythic and over valuing the region's resources ('highly reliable as an individual', 'place where quality of life is taken for granted but is in fact better than other places in Sweden', nice people). However, if one compares the labels said to characterise them, a clear pattern comes up. Interviewees in the LWP area

tend to be more critical about themselves than interviewees in the WPN area, which certainly have an influence on the way they see their future possibilities for the area.

According to the interviewees, media (also the local and regional) often helps spread a more negative stereotype of the region, regardless the study area. Many pointed out that the local media is often interested in focusing on demoralising local actors, especially politicians, by writing about ‘temporary scandals’ on their personal life than to focus on local issues that matter to general population. They believe also that outsiders (‘people in South Sweden’) have a negative picture of North Sweden, that sometimes, they think that it fits to the reality (‘*jante lagen*³⁸ is strong there’, envious behaviour between locals,) and in other cases, not (‘dependents of the system’, low skilled). No clear pattern was found among the study areas (see citations below).

What pre-conceived notions are held among those people who come here. Is there anything that is in accord? I have six or seven brothers and sisters and five of them live in southern Sweden but they always come up north during the summers. There are always a lot of people who come to the north during the summers. They seem to have pre-conceived notions. Or perhaps they feel that this area is not as developed as it once was. What they experience as positive is that everyone here is pleasant and easy going. People are safe, the companies that establish themselves here are from the large towns have a dependable work force. There is not the same turnover in labour force here. On the other hand, there are certain perceptions about the low level of education here - the educational level is substantially lower here than it is in the cities. Otherwise, many have had preconceived notions about our housing standard - that it isn't as good as in the south of Sweden. In actuality, it is just as good, and perhaps even much better. We have schools here, and I can compare, having attended school in Katrineholm (Southern Sweden), that the technical parts, the school buildings are of much higher standard than those found in southern Sweden. You'll not find the walls covered with graffiti, nor are the buildings derelict. The public building here is of substantially higher standard than those in southern Sweden. Everyone is impressed. But you'll find some notions of our being low educated and perhaps a little dull (giggle). But I think that that is changing, too (Local organisation, LWPN).

We are known to be quiet, and very thorough with everything and dependable. That is correct about the ‘‘thoroughness and the dependability’’, but as for being quiet, there are some who are and some who aren't. What is unfortunate is the film ‘‘The Hunters’’, which gives a picture of the northerner, which is absolutely untrue. The film was perhaps ironic, I don't know. People seem to believe it though, and think that our culture is lawless, that we have a view about women that is terrible. That is certainly not good. It is difficult to change. It is the way things are: if you have negative publicity, a negative picture of things, it's terribly difficult to find the positive (Public official, WPN).

Local media? There is ‘‘Folkbladet’’, (The People's Newspaper). There is a lot of information, but mostly there are negative pictures (Rural developer, LWPN).

Local smaller newspapers, and TV Bothnia. They are always writing negatively. **What does that mean?** That means we have to suffer undeservedly. There are always negative things about Lycksele. We try to bring out pleasant news as well... but it isn't easy. Then they say, they don't have time, ‘‘we will see what we can do’’ and if you send a press release yourself, it will take a long time before it comes to print. The media doesn't write anything positive about Lycksele. It seems they try to get scoops on scandals rather than getting a true picture of Lycksele (Public official, WPN).

The local newspapers had 2 editors in the municipality once, but not any more (there were too few subscribers). We aren't in the mass media any more, and that has been a negative development. Irrespective of what one writes, one puts Sorsele on the map (Rural developer, WPN).

It must be the ‘‘Norrbottnen’’ (the very northernmost part of the country) phenomenon, which I mentioned before. People are seen to be difficult, not really dull, but not positive. That is it. I don't know, if there is any specific label for those from Överkalix, but I have experienced this ‘‘stamp’’ this label, the ‘‘Norrbottnen’’ stamp. **Is there any basis for these statements?** Yes, of course. I have experienced it myself, as I am from Haparanda, which is also a small community. One notices that as soon as you come to another municipality, you feel the suspicion aimed at you as an outsider. One finds that they rather speak more critically than well of one, and the problems come to the fore, rather than the possibilities. We have tried to work with these attitudes very much, trying to persuade people that they exist, and that we have possibilities. Överkalix is a very closed society compared to Norrbotten county and Piteå but it is a closed society in a positive way. They use it positively and create something. Överkalix is a bit showy, but it is demanding. There are many people from Överkalix who ought to go out and see the world (IT consult, LWPN).

One might believe that because it is a bit out of the way, the people should be a bit backward, too, but that's not the truth. Perhaps what they need is a supplement of knowledge and know how here. People are capable and have a great capacity here (School leader, WPN).

³⁸ In Sweden there's a phrase for fear of success ‘Jante lagen’ (The Jante Law). Loosely translated, that means, ‘‘Don't think you're anyone.’’ But the interviewees also associated this term to the envious feeling among neighbours, locals that prefer to make favours to someone else outside their community, only to not give the possibility to the neighbour be someone better than he/herself. This has been declared to happen often among entrepreneurs working in the same branch in one of the LWPN municipalities.

Regarding the study areas' attitude towards EU, no clear difference seems to exist among the study areas (Table 38). The entire North Sweden was against EU membership.

Table 38 Attitude towards EU

	Municipalities	Favourable votes to EU membership (%)
WPN	Lycksele	29,1
	Storuman	27,4
	Sorsele	21,5
LWPN	Gällivare	26,5
	Pajala	24,1
	Överkalix	29,7
	Luleå	43,6
	Sweden	52,3

There seems to exist differences in political preferences between the WPN and LWPN areas. The WPN tend to be dominated by conservatives while the LWPN varies in having Social Democrats as the majority in the municipal council or an undefined majority (Table 39).

Table 39 Political majority in the municipal council in WPN and LWPN areas, 1976-1998

	1976	1979	1982	1985	1988	1991	1994	1998
Lycksele	S	S	S	S	S	S	S	S
Sorsele	O	B	O	O	O	B	O	S
Storuman	B	B	O	S	O	B	O	O
Gällivare	S	S	S	S	S	S	S	S
Pajala	S	S	S	S	S	S	S	S
Överkalix	S	S	S	S	S	S	S	S

S = Social democrats and left party

B = Conservative party and Liberals

O = Undefined majority

3.1.10. Quality of life

High QOL in rural areas has a pull effect on individuals and entrepreneurs and an indirect impact on a region's economic performance. This is assessed here through looking at the following aspects: living standard and safety; environment quality and recreation and multiculturality.

- Living standard and safety

The initial hypothesis was that a high living standard and safety standard constitute a pull factor in rural areas. Most of the interviewees, regardless of the area of study, judge their living standard as being at the regional average. Few interviewees point out that they may have low salaries in comparison with those living in larger centres of the region but they feel that it is worth it, in exchange for their good quality of life (see citations below). Table 40 shows the population of the study areas by income brackets. The relatively large share of the LWPN population in the highest income brackets (e.g., 33 per cent in LWPN against 37 per cent in WPN) may be related to the area's higher dependence on public sector jobs (average salaries are nationally set) compared to the LWPN area.

Table 40 Population 16-64 aged by income class (per cent) 1991/1998

	WPN	LWPN	North Sweden region ¹	Sweden
No income	1.8/3.0	1.5/2.9	1.6/3.0	3.1/6.1
0-200	88.4/68.3	86.9/62.3	97.5/64.8	82.6/59.1
200-400	9.4/27.7	11.2/33.5	10.4/31.1	13.0/31.1
>400	0/1.0	0/1.3	0/1.2	1.3/3.7

Interviewees are satisfied with local services, regardless of the study area (see section 3.1.3, consumer oriented infrastructure). They were asked to define their degree of satisfaction with the main basic services (pharmacy, post office, stores and schools) and the large majority declared themselves to be quite satisfied or satisfied with these services, despite the fact that many stores, post offices and pharmacies were closed down during the 1990's. Access to schools and post offices are less appreciated among the interviewees, regardless of the study area.

Rural areas are known as bucolic, quiet and safe environments. Crime is mostly cited and often takes place in urban centres rather than in rural areas and this constitutes one of the great advantages of rural areas against large cities. One way to assess safety is by looking at the lack of safety, for instance, through crime occurrence. In Sweden, 58 percent³⁹ of total offences in 1998 took place in large urban agglomerations of Stockholm, Gothenburg and Malmö. Regarding the development of offences over time at a national level, there has been according to The National Council for Crime Prevention, a linear increase of offences from the middle of 1960's, which has been replaced by fluctuations around a relatively constant level during the 1990's and geographically concentrated.

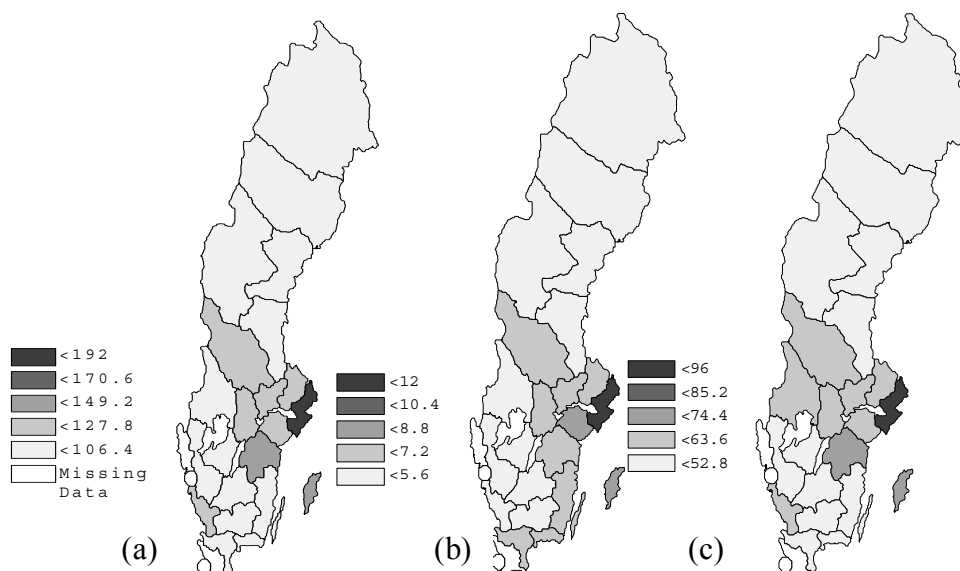


Figure 27 Offences by county, 1995.

- (a) Offences per 1000 inhabitants, county level, 1995.
 (b) Offences against life and health per 1000 inhabitants, county level, 1995.
 (c) Offences against property per 1000 inhabitants, county level, 1995.

Source: Socialstyrelsen (2000)

A brief analysis of the available statistics at the county level shows no difference in North Sweden study areas. In Stockholm county approximately double as many offences per inhabitants are recorded as in, for instance, the Counties of Västerbotten and Norrbotten, which involves respectively the WPN areas and LWPN areas. Generally speaking, the geographical concentration of offences is similar for all types of crimes in Sweden. Figure 27 Figure 28 illustrate the regional variations of offences by county and type of offences. The regional differences between North Sweden and Southeast Sweden can be associated with differences in population density and degree of urbanisation.

³⁹ Calculated based on data of the total of offences in the Counties of Stockholm, Skåne and Västra Östergötland, from The National Council for Crime Prevention (Brottsförebyggande rådet).

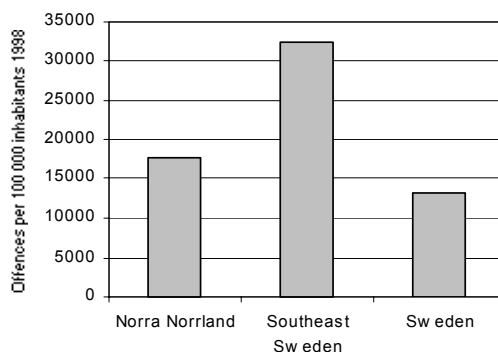


Figure 28 Total offences per 100 inhabitants 1998 – study areas
Source: The national Council for Crime Prevention (Brottsförebyggande rådet).

Interviewees mentioned the lack of personal freedom and limited capacity of making choices (specially regarding jobs) as an important push effect for young people. No differences were found among the study areas.

A different pattern comes up when interviewees were asked to assess the area by making a cross on a dichotomy scale of ten selected aspects that could be used to describe the study areas. Interviewees in the WPN area believes that the area can be characterised as ‘rich’ and ‘independent’ while those living in the LWP had the opposite opinion (Mean factor scores associated with the descriptor was WPN 0,21 and LWP $-0,26$). In both study areas, interviewees that assess their area as exciting are those who declare also feeling "at home" and judge the people living there as friendly (LWP 0,19 and WPN 0,03).

- Environment quality and recreation

It is favourable for the area to have a strong positive perception/attachment from the population of/to environment and cultural amenities, either as a potential economic resource or just as a symbol of the local identity. Interviewees, regardless the study area, are proud of their nature and landscape. In both areas, they see the quality of the surroundings as part of their quality of life (see citations below) and as a pull effect for businesses.

We are able to have nature as raw material as well as something special to experience... however, the raw material is still the forest, while the midnight sun is the experience of nature. Even though you can see the midnight sun from several vantage points, if you stand on top of Brännaberget (the mountain Bränna) on a sunny summer night, it is a fantastically beautiful experience. One never ceases to be moved by it, even after having lived here for twenty-five years. I can really understand people who come here and see it for the first time, they think it is fantastic (Local organisation, LWP).

We've have got nature, and if we can attract business too, the rest will come of its own accord (Entrepreneur, WPN).

- Multiculturality

Multiculturality in rural areas is perceived either as a potential resource that might contribute to the economic development, or as a burden for the hosting society. The initial hypothesis here was that areas that are able to take advantage of being a multicultural community tend to be economically better off.

Foreign population composes a very small parcel of the total population of DORA study areas (Table 41). They tend to be lower than the regional and national average. Most of the interviewees declared themselves to believe that it is not easy to be a newcomer in their communities and especially for foreigners. More often in WPN area, interviewees state being aware that there are some types of conflicts between newcomers (not necessarily, foreigners) and the native population.

Table 41 Percentage of foreign citizens 1995.

WPN	Storumán	1,8
	Sorsele	1,1
	Lycksele	3,7
Västerbotten County		3,3
LWPN	Överkalix	2,1
	Pajala	4,0
	Gällivare	2,7
Norrbotten county		4,3
Sweden		6,1

Source: SCB, 1997.

You have to renounce the economy in a smaller community. Lower wages and perhaps not quite the job you have trained yourself for, too. It is much cheaper to live in a smaller area (Local organisation, WPN).

I would like to believe that we have a better standard of life. But this is not visible, not easily perceptible. In our culture it's not easy to see. Perhaps there are certain problems with becoming part of a smaller community. Many people are surrounded by their relatives. Those who enter the community may not belong to the safety net (School leader, LWPN).

Nature is very important. Nature is well cared for, but culture is rather limited. One should be prepared to move, to be mobile, very much here. Water is extremely important. There are fantastic rivers (School leader, WPN).

I haven't noticed that there are any conflicts among newcomers and those who've lived here for ages. (Entrepreneur, WPN).

Is there a source of conflict among the various groups or interests in the area? Yes, that is true, but I can't really put my finger on it. I don't feel that there is a large source of conflicts; the ones that appear are small. Have you got an example? No, yes. I know that a few years ago a free (non state-run) school tried to establish itself here. That was a big thing (Large enterprise, LWPN).

Are there many who move in? Who are they? Those that move here lately have mostly been composed of single people who begin computer program studies. **Are they accepted well?** Yes, I think so. Are there many foreigners? No, there aren't very many. We had quite a few about eight years ago, there were very many in the housing areas. Refugees? Yes. There was a bit of trouble because there were culture collisions, which we weren't used to. They were quite many and were visible in our population. So they seemed to be quite a few. There were a few incidents too. But perhaps they didn't feel at home here, either, they really didn't want to live here. They were used to larger towns. SO they lived here just a short while. They moved to Stockholm, to the immigrant quarter, "Rinkeby," I believe. (Literature Centre, LWPN).

3.2 THEMES AND DYNAMICS

In this section, the dynamic development of the study areas is summarised by a linkage analysis of the 10 tangible and less tangible factors assessed in the previous section. It is well known that the success or the decline of the study areas cannot be explained by one factor alone. Three sets of themes or dynamics are used to try to explain the differences in DEP among the North Sweden study areas. These three sets were chosen based on the relevance of the interrelationships (see Table 42) between the most important factors used to explain DEP.

	Tangible factors					Less tangible factors				
	Natural Resources	Human Resources	Infra-structure	Investment	Economic Structure	Institutions	Market Performance	Networks	Culture	Quality Of Life
Assessed differences WPN and LWP (1)	Large	Large	Medium	Large	Medium	Medium	Medium	Large	Small	Small
Relevance to explain DEP (2)	Relevant	Relevant	Relevant	Relevant	Relevant	Relevant	Relevant	Relevant	Less relevant	Irrelevant

(1) How large are the differences between the study areas?



(2) How relevant is the factor to explain DEP?

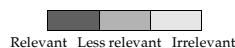


Table 42 Explaining DEP in North Sweden through tangible and less tangible factors.

Table 42 shows an attempt to summarise the analyses performed using tangible and less tangible factors for North Sweden. The study areas differ from each other mostly in aspects concerning availability of natural resources and landscape, human resources, investments and capacity to build networks. This applies to a lesser extent, to differences in infrastructure, economic structure, institution and market performance. Aspects related to culture and qualities of life are judged to be very similar for North Sweden. The most important factors that explain DEP in North Sweden are related mostly to natural resources, investments and networks, and to lesser extent, human resources, institutions, infrastructure, economic structure, market performance and culture. Moreover, it should be emphasized that there is not one single dimension to be considered in determining whether the study areas are performing well or less well; here the interrelations between factors that explain DEP in North Sweden are the main focus and are presented below in three different themes.

An important point to make here is the fact that ‘culture’ in a strict meaning and ‘willingness to build networks’ should be strongly related to economic performance, not in the *collective sense*, rather in the *individual one*. Nobody can deny that there are collective culture aspects that make people more willing to, let’s say, co-operate and build networks in an area than in another. In the North Sweden study areas, if this collective cultural behaviour exists, it is not strong enough, or different enough from one area to another to play a role alone in defining an area as ‘successful’ or ‘a failure’. The importance of culture as an explanatory factor of DEP relies on a specific group of individuals that make ‘the difference’ to the area. Thus, one can argue that the well performing area has more individuals of this type than the lagging one. In other words, there are small differences among certain individual’s behaviour (actions/values/attitudes (e.g., personal engagement (*eldsjälar*, individuals working locally and strongly attached to the community development and well-being), clear vision about the future, attachment to the area, notion of perspective: area in a broader context) that, in combination with many other factors, does have a synergic effect contributing to the area’s economic performance. And it is in this meaning that culture plays a role in explaining DEP in this study.

Figure 29 and Figure 30 illustrate the interaction of the 10 factors in order to explain DEP in the two study areas.

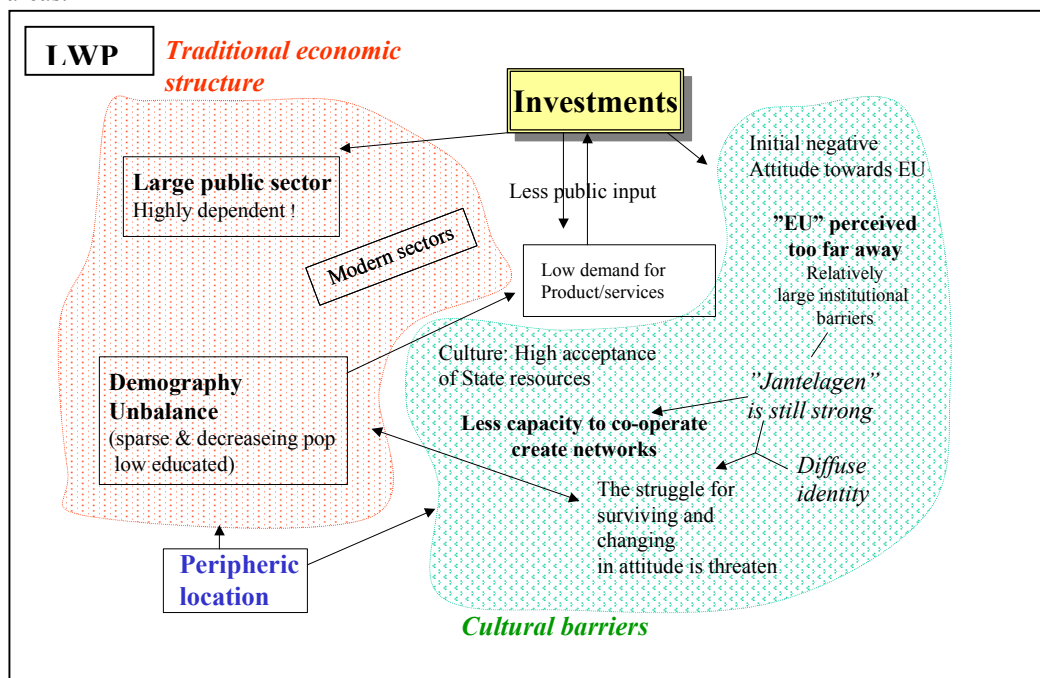


Figure 29 Explaining DEP in LWP area.

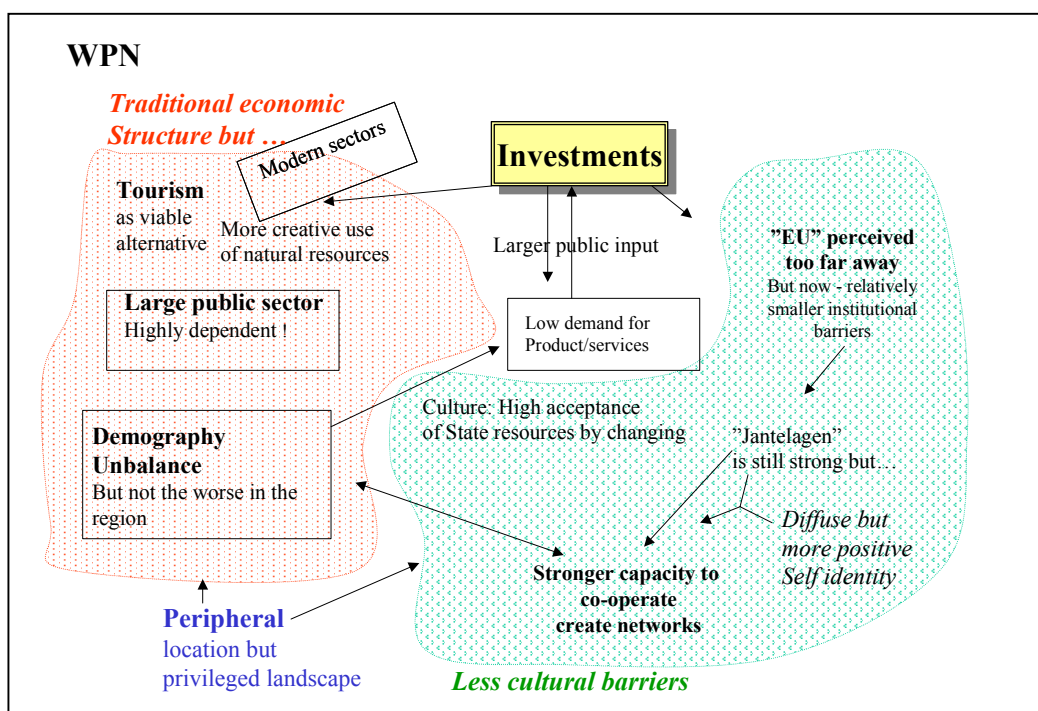


Figure 30 Explaining DEP in WPN area.

3.2.1. Natural resources, traditional economic structure and links of dependence

The North Sweden region's economy can be characterised by a long dependence on natural resources (either as raw material or experience/use of landscape) and more recently, on the public sector. North Sweden's natural resources (ore, timber and hydropower) have largely formed the basis of Sweden's wealth and economy during this century. Nowadays, other sectors, few of them still based on the existent resources, such as tourism, are gaining more economic importance. Even though modern sectors are still in a quite embryonic stage in the DORA study areas, they seem to give 'a modern face' to the region, including space technology, telecommunications, medical technology, energy and environmental research. The economic structure of the study areas is quite similar. In the WPN municipalities, excepting the public sector, small and medium industries in wood and manufacturing dominate in Lycksele (also called *LappStockholm*) while in Storuman, manufacturing and construction followed by commerce and transportation employ a great share of the labour-force, even where tourism appears to be a viable alternative. In Sorsele, the municipality is the largest employer and wood processing companies dominate the industries. In the LWPN area, mining and manufacturing is the second largest sector employing almost one fourth of the labour force after the public sector, followed by wholesale and retail; transport, storage and communication. In the private sector forestry and manufacturing (metal) industry predominate in Övertorneå, while forestry industry, sawmills in Pajala and mining in Gällivare (also called 'Europe's home mining', *Europas hemmagruva*) are dominant.

If one goes back to the history of the region, one realises that the links of dependence go back to the 14th century and that its economic exploitation has always been imposed by harsh climate and physical conditions. The original hunting and fishing was combined with small-scale agriculture and concentrated earlier on stock farming; later on the cultivation of grain occurred. Thus, agriculture was closely linked to the big rivers i.e. the river Torne and Kalix. In the 14th century Swedes settled on the coastal area in big villages earning their living by trade, i.e. exporting of fish, fur and tar. They developed a quite close contact with the Kingdom's centre, Stockholm. With the beginning of the 16th century, the colonisation of the inner land took place, in the sense that permanent settlement on the basis of agriculture and stock farming – activities that were already common in the coastal area and along the rivers. However, these activities were to a high degree dependent on the climatic circumstances needed for agriculture. In the 17th century the north of Sweden was still seen as an 'exotic' area. To increase the Swedish presence in the region, which should verify the political claim for the northern parts of the peninsula, the Swedish King tried to support colonisation in Lapland, but this process went slowly. The region's industrial sector has always had its basis in the local resources. Already in the middle of the 17th century, the use of the region's ore started, based on the iron and copper findings at first place in Kengis, Pajala. But not until the exploitation of iron and copper ore in Gällivare in the late 19th century, did mining gain real importance in the region, particularly for the LWPN study area. An important pre-condition of the large-scale exploitation was the building of the railway, especially between Luleå – Narvik, which opened in 1888. But all this richness in terms of natural resources as raw material was not sufficient to make the region dynamic in national terms.

After the formation of the Swedish welfare state, North Sweden was regarded as a deprived and dependent area. In the mid-60s, regional policy was introduced and the region became a receptor of public funds. The objective was to increase economic effectiveness by improving regional balance in the country. This was done by state subsidies, which were to stimulate industrial investments in the large sparsely populated areas of North Sweden, which were constantly hit by structural change and depopulation. Decentralisation of public institutions from the central regions combined with the need to keep people from moving out resulted in an increase of public sector in the remote areas of Sweden. The proportion of publicly employed in the region is significantly greater in North Sweden compared with the country

as a whole, 11 per cent greater for women and 8 per cent for men. State authorities are located in North Sweden, among them, National Security organ, which employs relatively more male labour force and has lately had cut downs with serious implications for employment in several municipalities. The regional labour market is known to be very gender segregated perpetuating the traditional gender roles. Male labour force is to great extent employed in the manufacturing industry while about half of the female labour force in North Sweden works with education and health care, which made the labour market for women very exposed to cut downs during the 1990's.

However, the regional development depicted above is far from being uniform, which leads us to the differences in DEP between the study areas. Tourism activity has always had a stronger potential in the WPN area than in the LWPN area, since the first one is constituted by a privileged landscape. Storuman and Sorsele are typical winter resorts – part of the Swedish 'mountain regions' *ffällen* and are part of Europe's largest nature reserve, *Vindelfällen*. Although Lycksele is not known as part of the *ffäll* municipalities, the municipality has an increasing tourism infrastructure, attracting people also from abroad that want to experience exotic winter activities, such as snow scooter racing. But the differences between the study areas are not limited by their original potentialities; rather to the way people see them. WPN area seems to be dependent on natural resources in a traditional way (water, forestry as raw materials) but has also a tradition to see them in a more creative way, through tourism, for instance.

Attitude towards the use of natural resources is just an example of how the long-term dependence upon a traditional economic structure might have influence on the way behave and think about their potentialities for the future. The difference in attitude of local population and politicians towards entrepreneurship between WPN and LWPN areas is another example.

3.2.2. Remoteness, chronic demographic unbalances and cultural and economic isolation

The region's peripheral location in relation to the main centre in Sweden and Europe associated with chronic demographic imbalance has contributed during centuries to its cultural and economic isolation (the region is in comparison with EU as a whole an extraordinary sparse populated area, 1.2 inhabitants/km² against 116 inhabitants/km² the EU average). In comparison with the WPN area, the LWPN has the disadvantage of being the northernmost Swedish part of the territory⁴⁰ and faces large obstacles related to geographical isolation. Although policy measures already in the 1960's were set to decrease 'market failure' or disadvantages related to its location, the region, but the county including the LWPN area still faces higher costs of production (consumers/subcontractors far way, difficulties in attracting skilled labour force) than the rest of Sweden. Differences in DEP between WPN and LWPN areas can thus be partially explained by differences in competitiveness determined by the remote geographical location.

This geographic isolation could possibly be made less burdensome if a population reduction was not also a constant challenge for the region's economy and welfare. The population development of the region over the past 50 years shows large differences between the WPN and the LWPN. In the less well performing areas, Överkalix, Pajala and Gällivare, a constant depopulation started already with the beginning of the 1960's. In contrast, Storuman, Sorsele and Lycksele faced the problem of out migration sometime later, in the 1980's. One reason for this disparity could lie in the different economical basis of the two regions and, hence, a different vulnerability for economical decline of certain sectors. The beginning rationalisation in mining started the population decline in the LWPN followed by

⁴⁰ The location could also regarded as 'the area strength' since it makes frontier with Norway and Finland. It belongs to the Barents region, which includes also Norway, Finland and north-western Russia.

rationalisation in agriculture and forestry. The WPN, mainly based on forestry, were hit by changes later and to a lesser extent.

During this process, the study areas have reacted differently not only in the volume of population moving out but also concerning the type of groups that leave. The LWPN area is known by having a deficit of female young labour force since they have no other choices than to move out to study or work, as the local labour market is quite restricted. Pajala, for instance, has been a symbol of the North Sweden's municipalities that have had a strong reduction of women during the 1990's. There are also indications that the local traditional culture in these municipalities, often much more rich for males (leisure activities, such as, hunting, fishing, scoter), would also be a reason for women moving out to larger centres.

At the same time, several municipalities have had an expressive population inflow among the older cohorts; not rarely composed of experienced labour force that worked for years outside the region and now, close to retirement, is returning to their region of origin. At short and medium term⁴¹, this group may constitute a potential to these municipalities in terms of human resources. Among them are people interested in working locally and not the least, being involved in social activities that make the areas more lively and competitive. There are reasons to believe that the WPN areas do not have only more of these '*eldsjälar*' (individuals working locally and strongly attached to the community development and well-being), but also the areas contain individuals that make 'the difference' to the area. These individual's combined action is certainly more effective (in building networks with locals, creating a better business climate and struggling for investments to the area) than in the LWPN area. Interviewees declare that newcomers are often the ones that take the initiative to start activities⁴².

Of course, small culture differences between the areas also play a role in this process. The idea that the each individual has an important role in the local process may not be a common characteristic of the study areas. One reason for that might be related to the fact that the whole North region has been characterised by strong left wing ideas, a place of Communist/left party and Social Democrats, where the concept of 'class' has always overcome the concept of 'individual'. One example is the difference in political preferences between the study areas. Whilst the WPN has had a variation of political parties composing the majority in the municipal council since the 1970's, the LWPN area opted to a more stable left wing majority up to nowadays.

Interviewees in WPN area also pointed out more often that they saw the EU membership as more positive than the LWPN area. For many, EU was still perceived to be literally far away from their reality. Institutional barriers are also declared by the interviewees to exist more often in the LWPN area than in the WPN area (for instance, in the process of filling out applications to EU projects, contact with experts at county council level). WPN received significantly more EU funds than LWPN during the whole programme 6 period; being three times as much. This indicates not only a better performance of WPN regarding activity of local actors to initiate projects but also the actor's financial capacity to partially support such projects.

3.2.3. History, values and self identity and entrepreneurship

The region North Sweden is "a melting pot" of Sami, Finnish and Swedish culture, which roots in the historical development of the region and still affects its self-understanding. Besides, the region also benefits from a rich cultural exchange in the *Barents region*, i.e., the northernmost counties of Sweden, Norway, Finland and north-western Russia. With so many cultural influences, the region seems to be continuously in search for a clearer and less

⁴¹ Few interviewed municipal politicians see this inflow as a problem in the long run since this may constitute an extra burden for the already overcharged municipal expenditures.

⁴² This may be also related to the fact that locals accept the opinion of an outside easier than from those living in the area.

diffuse identity. At the individual level, the interviewees have not always perceived this diversity as a positive characteristic. Still in the 1960's and 1970's, being a *Norrlänning* in Southern Sweden was, according older interviewees, a characteristic to not be proud of. *Norrlänning* was, at that time, associated to 'backwardness' that was clearly revealed by the typical accent.

Therefore, any discussion about North Sweden identity must take its process of occupation into consideration. The occupation of this enormous region was not always a harmonious one, far from being free of conflicts. This process was often based on impositions from central government, from language standardisation ('Sweden-isation' of the territory) to land invasion originally "owned" by region's natives. One can affirm that the region has several different regional identities as a result of, among other things, each group's struggle for survival as a group during the last centuries. For the Sami community, once a nomadic people, Norrbotten county (includes LWPN) is considered a main centre of the Sami culture, particularly in Jokkmokk and Kiruna. The Sami Council has convened in Kiruna since October 1993. Besides the Swedish and Sami languages, a third language, Tornedalen Finnish, is spoken in the border region of Finnish Lapland.

Nowadays, the collective identity is still diffuse, certainly composed of a combination of several influences that rarely is associated to their municipality (or study area). Instead, most of the interviewees declare themselves to be a person from North Sweden, 'a Norrlänning', or "inland" region. This broad self-labelling stays often for positive characteristics, such as, honesty, perseverance, a specific accent, or 'a quiet person that speaks to say something important' and to less extent to negative associations.

However, they still feel that outsiders have often a negative, prejudiced picture of people/ the region of North Sweden. They declare that people often associated their area/people with 'people coming from North as low educated', 'here everything goes slowly', 'clear traditional gender roles, chauvinism', 'strong envious behaviour among locals' (that people often make comparisons with neighbours' achievements). Not having an identity associated to the geographical areas (either municipalities or study areas) may be related to the fact that people living in North Sweden are relatively more mobile than the rest of Sweden – for social and work reasons. Commuting becomes inevitable from small municipalities that have often a very limited labour market, especially towards the largest ones (Umeå and Luleå). This mobility flags for the risk of creating individuals with low attachment to the local communities issues imposed partially by daily life routines – thus, the geographical identity may be a function of where the person lives and works. An important fact here is however that interviewees in the LWPN area tend to be more critical about themselves regarding the outsider's labels than interviewees in the WPN area, which certainly has an influence on the way they perceive themselves and their future.

Another aspect is that although most of the interviewees were sceptical about the direct influence of the religious groups in the local economy, interviewees in the WPN area seem to have a stronger religious group influence on their daily life than the LWPN areas. They seem also to have more often a better knowledge of religious groups, events and other gatherings supported by these organisations.

Besides the differences in political preferences, the importance of the area's traditional economic structure plays an important role in defining differences in mentality. Large forestry industries and mining enterprises created a culture of dependence between 'big lords' (*stor herrarna*) and employees, that certainly have contributed to the lack of tradition regarding activities that require a more individualistic behaviour, such as, entrepreneurship. This seems to be true especially for the LWPN area. People in the WPN area are more positive towards 'the new' and not less, to entrepreneurship than the LWPN area - at least according to entrepreneurs and municipal politicians perception of the business climate in these areas. This difference between the study-areas is also confirmed when entrepreneurs

declare their perception of municipal politicians towards entrepreneurship. These small differences in ‘mentality’ discussed in this section are regarded as an important if not one of the most important reasons why there are considerable differences in North Sweden region with regard to the DEP.

3.3 CONCLUSIONS FOR NORTH SWEDEN

The current as well as the future economic performance of the rural areas of North Sweden is deeply rooted in the history of this peripheral region. Exploitation of the enormous natural resources: forests, waterfalls, and minerals started as large-scale state ventures in the second half of the 19th century. Settlements in a few small mining towns as well as colonisation of riverside land suitable for subsistence farming – even north of the Arctic Circle - were encouraged by state incentives such as tax relief programmes. Investments and maintenance of the heavy infrastructure, first the large rivers for timber floating to coastal sawmills, later the numerous dam construction for power plants and railways for ore export, became large sources of primarily male employment. The employers were the large state -owned and managed companies.

The economic performance of this large region with a sparse and scattered settlement has to a large extent contributed to the wealth of the Swedish economy throughout the 20th century and will no doubt continue to do so in the future. However, the direct impact of the exploitation of natural resources on the regional and local economy has been and still is very limited, because of the colonial type of economy implemented by the state companies. Direct impact on the regional income has largely been derived by the local input of labour in forestry, transportation, mining and farming. Employment in these sectors has been declining – except for a few periods of boom in ore export – during the whole second half of the 20th century. Long term high unemployment and net out migration has been the inevitable result.

The current demographic structure of the rural areas and small towns in Norrland’s interior is owing to continuous net population loss has become severely biased toward the elderly population. Prolongation of the population trends from the last 30 years and assuming persisting low fertility rates results in a reduction of the population numbers by 30, 40 or even 50 percent within the next 30 years. At the same time, service production for the benefit of the local, ageing, population has eventually become a domination source of employment. These services are provided by the public sector, and largely funded by state transfers to the rural municipalities with their shrinking local income tax base.

Hence, we conclude that economic performance of these rural areas is today largely decided by the households’ incomes from public sector jobs, with a nationally set wage level. It is likely that the proportion of the public sector in the local economy will increase in the future, due to the increasing demand for services to the economically non-active population.

Industrialization programmes and incentives to small business – outside traditional forestry, mining and agriculture – in North Sweden came first into practice in the mid-1960s. Investment grants, transport subsidies, and retraining programmes have been some of the major ingredients in the national regional policy ever since. It is probably true, that the main challenge has been to encourage entrepreneurship in this region, which has been so much dependent on state management and a working class attitude towards economic development and job creation.

It should be noted carefully, that very little investments in buildings, machinery and human capital have been made in this region without substantial public co-funding in the recent 35 years. After Sweden’s accession to the EU in 1995, national regional policy has been completed with structural funds, leading to an increasing public support to the small firms and industrial networks in the region.

Hence, differences in start-ups, investment activity and economic performance of SME between rural regions very much reflect the local stakeholders' and private entrepreneurs' ability and willingness to respond to and benefit public incentives.

Economic performance from the wholly or nowadays partly state-owned raw material and energy resource production units in the region is almost entirely at the benefit of owners and shareholders outside the region. We have not considered these resources in analysing and comparing economic performance between regions.

It is against this general economic background for Northern Sweden that we should evaluate the differing performance of two sub regions in North Sweden, the well performing and the less well performing study areas. Indeed, we have found indicators of differing performance between the two regions. However, we should also remember that the two areas are not homogenous, the WPN consisting of two very sparsely mountain areas and one small service centre in the forest belt. The LWPN consists of two of Sweden's most remote rural municipalities and one mining town with more or less no rural hinterland. Explanations of differing performance "on the average" have to take the local heterogeneity into consideration.

Having said this, we conclude that the factors, which primarily explain differences in economic performance between rural areas in North Sweden, are to be found in the history of economic transformation of the regions. The well performing area has natural assets and established service functions which have been more easily identified and exploited by local entrepreneurs, encouraged by public incentives. Cultural attitudes are more characterised by the individualistic and co-operative mentality in the well performing region. On the other hand, attitudes in certain parts of the less well performing region are dominated by collectivism and working class culture. More so in the LWPN it is often said by workers that provision of employment should be a responsibility of the State, not the private firms. It is only in recent time that entrepreneurship has been fully accepted by the majority of the local population.

The relatively slower rate of modernization and renewal of the local economy in LWPN during the last decades is a push factor for young out migrants, which in turn has added to the ageing of the remaining labour force with little qualifications for the few new jobs created. Hence, we have found that WPN is an example of the old saying that success feeds success, while the corresponding saying could be translated for the LWPN to the vicious circle of "few successes means less encouragement for others to try".

Accessibility in geographical terms is clearly better in several parts of WPN than in LWPN, the latter region containing Sweden's most remote areas at the Finnish border. Finally, we conclude that private and public stakeholders in WPN have managed to actively take advantage of the abundance of public funding and programmes for regional development than the LWPN, whose population's and stakeholders have been more adjusted to passively consume the benefits of the Swedish welfare state.

4. SOUTHEAST SWEDEN

4.1. ANALYSIS OF FACTORS

In this section, each factor is systematically addressed taking into consideration the specificities of each Southeast Sweden's study areas. The analysis' main focus is on elucidating differences between the study areas for each factor and also providing ground for the overall relevance of each factor to explain differences in economic performance between the study areas. The description of each factor contains the following structure: presentation of the factor' hypothesis, description and analysis of hard statistics pointing out differences (or not) between the areas (when available), official information from independent sources, and, (iv) selection of relevant citations from interviewees giving support for the analysis.

4.1.1. Natural resources

The initial hypothesis here was that the dependency on the region's economy of natural resources varies based on each region's specialisation, but also on the region's own capacity of finding new forms of exploitation of these resources.

- Availability of natural resources

A very broad description of the DORA study areas in terms of availability of natural resources could be the one that whilst the WPSE has been dependent of a good climate and arable land for agriculture, the LWPSE has mostly exploited forestry resources. Although this description may partially fit to the current conditions, since WPSE still has 10 percent of the labour force employed in agriculture and forestry (against 4 per cent in LWPSE), their economy is today more diversified than in the past and less dependent on its natural resources in traditional terms (manufacturing and health care sector compose about 50 percent of the jobs). The LWPSE is also dependent on the timber/wood industry and manufacturing (40 per cent of the jobs). The wood industry existed initially for production of among other things, of furniture and, and lately, of wooden houses, but mostly less refined timber derivatives (saw mills and *lego wood industry*⁴³). Table 43 illustrates the area of different types of land use by county, an indication that WPSE has still a considerable share of agricultural holdings devoted to primary sector.

Table 43 Land use in Southeast Sweden, 1998.

	Agriculture	Pasture	Forestry	Others
WPSE	10,4	5,7	73,3	10,6
LWPSE	8,5	4,2	74,9	12,4

Source: SCB, Markanvändingen, 1998, p. 103-110.

- Land ownership structure and price

As in Southeast Sweden, forestry determines the patterns of land ownership in both study areas even though agriculture and pasture are more present in the WPSE area (Table 44 and Table 45). Although the large agricultural units are found in the WPSE, approximately 80 per cent of them are smaller than 50 hectares, regardless the study areas (SCB, 1999c). In the WPSE, a great part of the forests are natural reserves protected by law, 30 units against 16 in the LWPSE (SCB, 2000a). Landownership structure is similar in both areas, enterprises own most of the total – but in the LWPSE the State is the second major owner while in the WPSE, the joint stock companies dominates in second place (SCB, 1992). Interviewees from both areas did not see land price as an issue, even though agricultural land is priced forty

⁴³ Subcontract companies producing parts of products, generally wooden derivatives, towards enterprises outside the region.

percent higher than the national average. It is also higher in the WPSE than the LWPSE (Table 46); the difference is around 15 per cent (SCB, 2000b).

Table 44 Total area of forestry by type of enterprise, Southeast Sweden.

	Joint-stock					Others
	Enterprise* company	State	Municipality	Church		
WPSE	84,0	7,8	3,9	0,3	1,1	2,9
LWPSE	73,1	4,7	12,9	2,2	6,2	0,9

Source: SCB, Lanbruketsräkningen, 1992.

* Ownership of one or several individuals (couples, e.g.)

Table 45 Agricultural enterprises by size (%), Southeast Sweden.

	2,1-10 hectares	10,1-50	50,1-100	>100	
WPSE		31,7	49,6	13,6	5,0
LWPSE		33,6	54,9	9,3	2,2

Source: SCB, Lantbrukets företagsregister, 1999.

Table 46 Sold agricultural real estates by settlement condition in Southeast Sweden (Values in SEK thousand)

	Built area	Non-built area
WPSE (Östergötland and Jönköping Counties)	2576,5	1862,5
LWPSE (Kalmar and Jönköping Counties)	2154,5	1416,5
Sweden	1 130	504

Source: SCB, Fastighetsprisstatistik 2000.

- Legislation and planning restriction

The initial hypothesis was that dependence of a region's economy from natural resources varies based on each region's specialisation, but also on the region's capacity of finding new forms of exploiting these resources. In this case, the area's dependence on natural resources *per se* would not be enough to explain DEP between areas; rather it would indicate the degree of vulnerability and dynamism over time (adaptations of the traditional economic structure towards market demands). In this matter, it is important to note that the region's natural resources also have potential for tourism. The first one is sport fishing, since the area is rich in suitable fishing water both in the coast and lakes, and the second is hiking and camping. The diversified landscape with alternating cultural traditions (ancient fields), lakes and forest is unique in a European perspective and has a clear attractiveness especially for the international tourism, especially from Germany. In the WPSE, these activities seem to be more organised than in the LWPSE – a fact that can be regarded as an indicator of better management of these resources. One example is *the Sommen Lake District*⁴⁴ (Sagolika Sommenbygd) which is a joint project between the following local municipalities of Boxholm, Ödeshög, Aneby, Kinda, Ydre, and Trånås aiming to promote tourism activities in the area. Another example is Östgotaporten⁴⁵, a portal that provides information about tourist attractions in several municipalities of Östergötland county, including Ödeshög, Boxholm, Kinda and Ydre. Another indicator that the WPSE have a more creative way of thinking about their natural resources is the example given by Aneby municipality. Since 1992, Aneby has had an initiative to profile the municipality as a green municipality. One example is the programme Ekotopia (A Centre of Knowledge and Development for a Sustainable Development) that is partially financed by the businesses, the municipality and EU and is partially commercial.

⁴⁴ <http://www.sommenbygd.com>.

⁴⁵ <http://www.ostgotaporten.com>

Table 47 Protected land by county, 1997.

	Nature reserves	Land area (hec)	Nature conservation areas	Wildlife protection	Areas with interim protection
Jönköping(WPSE/LWPSE)	47	4272	3	231	3
Kalmar (LWPSE)	93	7889	12	120	4
Östergötland (most of WPSE area)	70	9138	2	69	-
Sweden	1964	2 292 225	124	1065	44

Source: Naturvårdsverket, in: Statistical yearbook, 1999.

Even though the WPSE municipalities include large areas that are considered of national interest, interviewees agree that the special environmental legislation is necessary and in no way will this constrain the area's economic development. Similar opinions were expressed by the interviewees in the LWPSE area. Table 47 illustrates the number of natural reserves by county for SE Sweden. Note that the WPSE area contains the largest number of reserves (Table 48).

Table 48 Natural reserves in Southeast Sweden, by municipality 1999.

	Total	Area (Hectare)
WPSE	30	2522
LWPSE	16	519

Source: SCB, Skyddad Natur, 2001 (www.scb.se).

Yes, certainly. It is dependent on what you think. If you think about forestry, then it is naturally important for the Saw Mills... One can develop the experience of being in nature. As far as tourism and the economy is concerned. We notice that in our small village of Visserum there are many German tourists that come and they fish. It is calm and beautiful; you can go wherever you want. The bathing waters are beautiful. Here in Visserum you have the water in the middle of the village. It all contributes to the municipality (Large enterprise, LWPSE).

This is a farming community. We have "Token" as well. That is one of the greatest bird waters that exist. Omberg mountain area is legendary. There is much history and flora and fauna in the area that is very special indeed. There are many orchids, which are rare. The Lake Vättern is also here. How important that is economically, I don't know. They've opened a place in the crossroads where you can get all information about the area Östergötland. They are investing in the area, trying. But how much money there will be from it all, I don't really know. **Are they marketing themselves the right way?** They could always market themselves more, certainly, but I feel that if all the municipalities were to go out and market themselves for the tourists... There aren't really that many tourists. How many tourists do you want and where should they be? You have to stop and think a little. Just to get a lot of tourists here is not anything one becomes rich by. I don't know. But it is better to speak about what is here and use what is here. We have no hotels here. How much of the region is natural surrounding? **Is that a possible resource?** About Omberg and Token, they are obviously resources, but at the same time it is difficult to widen Motorway 50, which I drive everyday. It is very narrow and curved. It is quite difficult. We want the motorway broadened, but the environmentalists say no, because it will destroy the pastures, the fields. That is the way it is and has been for many years now (Entrepreneur, WPSE).

We ought to compare the natural resources here with those of other regions. How important are the natural resources for the economy of the area? Definitely, as you have "GOL" and the train routine. It is typical for an area such as this. **What do you feel is the most outstanding natural resource?** Of course, the forest. **Do you feel it is marketed or presented adequately?** Yes, I believe so. The forest as raw material and as leisure resource. **Who is it that earns most on the resources being accessible and of high quality?** It is the whole company that owns the forest. **Do you think that the natural resources today are used in a more creative manner than earlier?** Yes. Besides the traditional forestry industry, more leisure and sports activities, tourism, have increased. The forest has become an important part for hunting, fishing, leisure activities, and the forest industry earns a great deal of money this way (Museum chairperson, WPSE).

What is the most important economic resource? I believe that it is forestry. **Do you feel that it is marketed in the best way?** I don't really know. **Who earns most money in having the natural resources accessible to everyone?** Everyone earns (Local organisation, WPSE).

4.1.2. Human resources

The initial hypothesis was that human resources constitute an essential and decisive factor in economic performance. Human resources possess both quantitative and qualitative characteristics that contribute to growth generation and economic performance. In this study, this was assessed through three basic attributes: Demographic structures and evolution;

Labour force structure and participation rates, and, Human capital reflected in knowledge and skills embodied in population and labour force.

In general terms, the WPSE area (leading) are performing better in this factor than the LWPSE area (lagging). The only exception regards human capital. The lack of education infrastructure towards labour force locally, which can be partially explained by the small-size of the main urban centres in the WPSE in comparison with the LWPSE, that is to say, they have less urban functions locally.

- Demographic structure and evolution

The region Southeast Sweden has about 75 000 inhabitants. The largest municipality had in 1999, 38 000 inhabitants and the smallest 4 000, in average the inhabitants per municipality was around 13 000 in the whole region while in our study areas, the population varies from about 4000 to 26 000. Between 1970 and 1999 the population of the seven municipalities in the study area decreased -10.5 per cent, but this development was not homogeneous (Table 49). The LWPSE had the largest reduction.

Table 49 Population change (per cent)

	WPSE	LWPSE	Southeast region ¹	Sweden
1970-1979	0.6	-3.8	-1.9	2.7
1980-1989	-2.3	-3.6	-3.1	2.5
1990-1999	-3.8	-7.2	-5.8	3.1

Since the 1980's, the out-migration has been greater than the inflow of population to the LWPSE municipalities, a trend that became even stronger during the 1990's, not least of all in the WPSE area as well. Table 50 summarises the net migration during the last three decades.

Table 50 Net migration (per cent)

	WPSE	LWPSE	Southeast region ¹	Sweden
1970-1979	3.0	-1.3	0.5	1.5
1980-1989	0.0	-1.8	-1.1	1.7
1990-1999	-7.2	-5.0	-3.5	2.4

Already in the 1970's, the population of LWPSE was already in decline, while this process would start only a decade later in other parts of the Southeast region. The recovery of inflow of population between 1994-95 can be associated to the peak of in-migration from abroad, mostly from former Yugoslavian republics while the relatively high outflow in the same period of time can be related to recession that started in the beginning of 1990's and strongly affected the region's economy. Many interviewees pointed out that migration outflow is aged biased (see citations below), that is to say, having a large share of young population, that mostly leave the reason for study in regional university centres, such as, Kalmar, Linköping, Växjö and Jönköping.

Have you got any idea about the demographical structure in this municipality compared to others? Age, sex and education? There are mostly old men without education. That is my picture at any rate (Citizen, WPSE).

First of all, the girls and young people move out, but of course, one should see the world. The educational level is lower in Kalmar county than in the country as a whole, but what is most important is that you are at the right level, with the needs that exist, I think we do. New companies are growing up that demand higher education and that can be difficult (Public official, LWPSE).

A great deal of our population is children, up to elementary school age, and then it levels off. We don't have a large group of teenagers, although we have a greater group of the elderly. This is a rather common picture of small municipalities. Young people move because of education. Many do return home again, but not in the ages 20 - 35. We have a rather equal distribution of men and women. And as far as education goes, we have had a rather low level of higher and university education. But the statistics are rising. A lot of this is all about jobs. That is what we lack in our municipality. We have a deficit of jobs for women, of the traditional kind. We are an industrial area (Politician, WPSE).

It is negative for the ages of 20 -30 years. People move out and then go on to new training. Then they come back when they are older. It is then that one experiences what quality of life is to be had living in the countryside. The sexual divisions and the educational levels are also negative (Public official, LWPSE).

There are some regions, which have been affected. It's a bit like the far North, it is, in that there are no jobs here, while the large cities are exploding, so that the youth leave, that is right. There is no future here and the ordinary traditional industrial jobs don't interest them today. However, there are a few who study for a few years in the cities and return after some years, in order to give their children a safer childhood (Entrepreneur, LWPSE).

- Labour force structure and participation rates

It was also expected that the leading area should have a better performance in activating labour force than the lagging one. As Table 51 shows the employment change is negative for both areas between 1985 and 1992, but the WPSE turn to be a positive one between 1993 and 1998.

Table 51 Employment change (per cent)

	WPSE	LWPSE	Southeast region ¹	Sweden
1985-1992	na	-7.6	-16.3	-3.7
1993-1998	0.2	-0.7	-0.4	4.7

As Table 52 shows, independent of the method employed in the projections (Nygren and Persson, 2000)⁴⁶, a striking population decrease in these local labour market areas is expected to occur up to the years 2010 and 2030. The DORA municipalities in Southeast are part of four local labour market areas constituted by 312 thousand inhabitants in 1999. The largest decrease (around half of the population) is expected to happen in the local labour market area that comprehend the LWPSE area.

Table 52 Population projection for the Local Labour Market Areas (Thousand inhabitants)
Alternatives B/D

	WPSE	LWPSE	Southeast region ¹	Sweden
1999	270	42	312	8861
2010	261/271 ³	34/39	295/310	9047/9047
2030	241/274	18/34	259/308	9465/9465

Table 53 Employment intensity by gender, Southeast Sweden, 1999.

		Female	Male	Total
WPSE	Ödeshög	68,9	78	73,6
	Ydre	74	82,4	78,5
	Kinda	72,4	81,6	77,1
	Boxholm	67,6	81,4	74,9
	Aneby	74,7	84,4	79,7
LWPSE	Hultsfred	68,7	79,1	74,1
	Vetlanda	73,1	84,4	78,9
Sweden		71,6	76,2	73,9

Source: SCB, Sysselsättningen i kommuner och län, 1999.

⁴⁶ The alternative B is based on a more population concentrated trend to largest Swedish urban areas, based on a prolongation of the observed migration pattern during 1997-99 while and alternative D, represents a more balanced regional trend, based on a prolongation of the observed migration pattern during the whole period 1985-89.

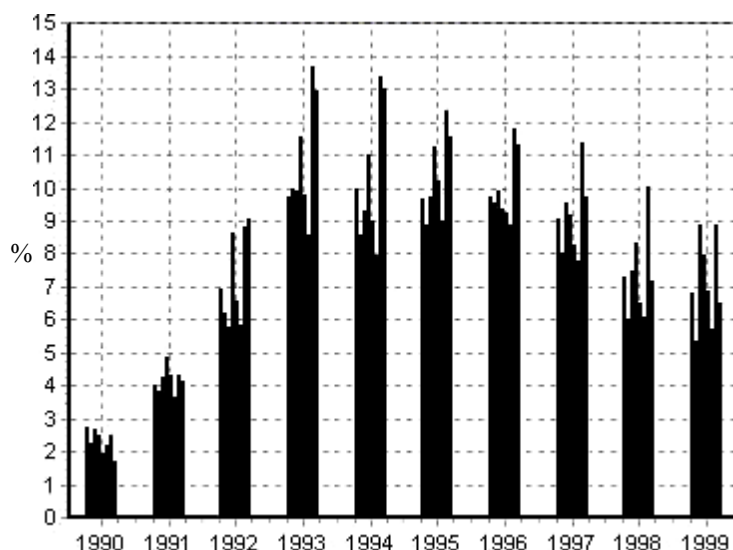


Figure 31 Total unemployment 1990-1999 (%).

Left to right: Linköping, WPSE region (Aneby, Boxholm, Kinda, Ödeshög, Ydre) and LWSE (Hultsfred, Vetlanda). Total unemployment (bestående av öppen arbetslöshet samt personer i åtgärder)

As in many other rural economies, the traditional labour market defines the occupation by gender. Generally male labour force is employed in the primary sector (agriculture, forestry and manufacturing) whilst women are concentrated in the public sector (schools, health care). In the seven municipalities of the study area, the unemployment rate reached on average 7 per cent in 1999 (if one takes into consideration all unemployed labour force including those participating in governmental financed programs). Vetlanda (LWPSE), for example, had about 9 per cent of the labour force unemployed. The traditional branches have lately had a weak employment development, which has not been compensated by other more expansive branches, and this is true specifically to LWPSE that show a relatively high long time unemployment rate (Figure 31, Figure 32, Table 54).

Table 54 Unemployment rate (per cent) 1990/1999

	WPSE	LWPSE	Southeast region	Sweden
Labour force in governmental financed programs	2.3/6.9	2.0/7.5	2.1/7.2	3.2/7.3 ⁵
Unemployed labour force	0.8/3.9	0.8/4.9	0.8/4.5	1.3/5.0

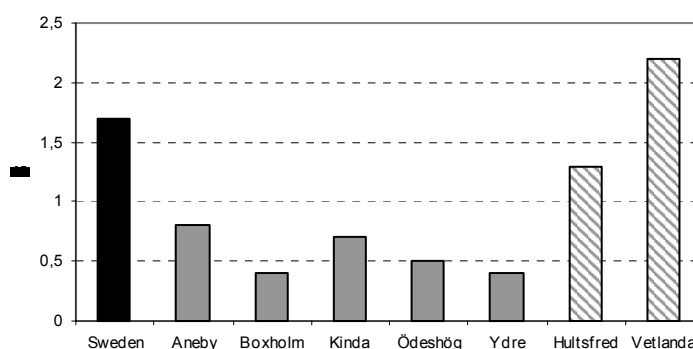


Figure 32 Long time unemployment 1997 (>100 days unemployed labour force)

Left to right: Linköping, WPSE region (Aneby, Boxholm, Kinda, Ödeshög, Ydre) and LWSE (Hultsfred, Vetlanda).

In general terms, the performance of the whole SE region in activating labour force is pretty much in line with the Swedish average performance⁴⁷. This might be related to the region's labour force structure that is similar to the average of the country (share of active and non-active population) and, therefore, would present similar degrees of adaptability to external influences as the country as whole over time.

The LWPSE seem to be performing slightly well in activating labour force than the WPSE-LLMs. This relatively good performance in activating unemployed labour force might be related to the effect of governmental programmes towards this labour force category (In LWPSE, 2.3 of unemployed labour force in 1999). This explains certainly the high activation rate in areas of high unemployment during the 1990s, such as, in Hultsfred and Vetlanda. One interesting finding is that all DORA LLM's had a slightly better performance in activating unemployed labour force into employment than the national average and in comparison with the category 'students'. One interpretation of this is that since unemployment rates are higher than the national average in our rural regions, the national objective of decreasing unemployment to a specific number (4 per cent year 2000) automatically leads to more input of labour market policy to activate the unemployed in rural areas.

- Human capital

The initial hypothesis here was that 'human capital' invested in the labour force (education, training, skills) would contribute to its improvement and tend to influence positively the economic performance in the area. The attempt to modernise the economic structure of the region requires improvements in educational levels. How do the study areas differ in terms of human capital?

The LWPSE has an under representation of high skilled labour force, that is, with university degree. Even though the educational level has shown improvements in LWPSE since the 1980's (Table 55), when 7 per cent of the population held a university degree, the percentage in 1999 was still slightly lower (13 per cent) compared with the average for WPSE (14 per cent) and Sweden (24 per cent). During the last few years, efforts have been made in bringing temporary university courses to the region, especially in the LWPSE. Table 56 shows the supply of upper secondary schools and university education. Since the WPSE municipalities are regarded as too small (only Kinda and Ödeshög has a high school programme) there is a strong tradition of commuting daily towards larger regional centres for High school and University degree.

Table 55 Educational level (percent) 1985/1999

	WPSE	LWPSE	Southeast region ¹	Sweden
Compulsory school	56.2/39.1	56.6/41.7	56.4/40.6	43.7/29.8
Upper secondary education	31.6/45.9	30.2/43.7	30.8/44.7	37.0/44.1
University education	7.8/14.1	7.5/13.4	7.6/13.7	13.8/24.4

Table 56 Supply of high schools and temporary university courses by study areas.

	High schools	Temporary university courses
Aneby	- * NO	Kvalificerad Yrkesutbildning (KY)-2years Course
Boxholm	- * NO	- * NO
Kinda	Industriprogrammet (Allhamraskolan)	- *
Ydre	- * NO	- *
Ödeshög	Industriprogrammet, Hantverksprogrammet	-*
Hultsfred	Stålhagsskolan, and short courses, In media and tourism	In cooperation with Kalmar/Baltic Business School
Vetlanda	Njudungs gymnasieskola	-(commuting to other larger centers)

*Commuting to other larger centers

⁴⁷ Details of this analysis can be found in Ceccato and Persson (2000).

Figures from 1998 (Table 57) show that expenditures of the Swedish national budget and expenditures related to labour market and labour force skills towards Southeast Sweden study areas are in general similar to the to the national average, the exception being the area of Education and university research (since the whole DORA area lack such educational infrastructure). Besides the University of Linköping, the Southeast Sweden region has also two other educational institutions at university level, Jönköping University (composed of three schools, the school of education and communication, the school of engineering and Jönköping international business school) and Kalmar College that offers courses in other small municipalities, such as in Hultsfred. The Southeast region receives influences from the University of Växjö, which is located in a neighbouring region. The university has a wide-reaching network with companies and organizations in the region and with Swedish society at large.

At study areas level, the LWPSE is the one that receives most investments in this area, specially because it has had a larger unemployment rate ('Labour market and working life' area includes also measures towards unemployed labour force). It is worth noting that when comparing the total amount of state expenditures towards the study areas, WPSE receives considerably more allowances than LWPSE. But within the various areas of expenditure considerable differences in the distribution of finances, education is one of them can be found.

Table 57 Areas of expenditures of the Swedish national budget and expenditures to Southeast Sweden in 1998, Euro per capita

Area of expenditure	WPSE (%)	LWPSE (%)	National average* (%)
Labour market and working life	456(6)	493(9)	631(7)
Study support	200(3)	213(4)	291(3)
Education and university research	43(1)	48(1)	365(4)
Total	7123	5266	9447

Data source: NUTEK (2000b)

* Data source: Aggefors & Bodevik (2000), p.59

As pointed out before, the region lacks education infrastructure regarding university education and also upper secondary school, which may indicate a mismatching between labour market demands and labour force supply. But is this true?

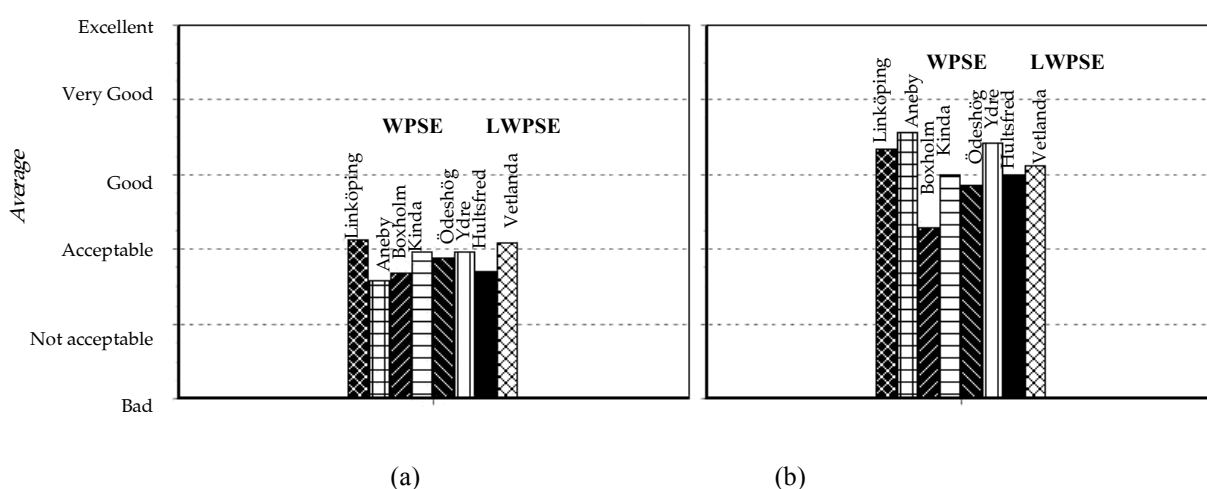


Figure 33 Perception of how high school education is adapted to entrepreneurs' needs according to entrepreneurs (a) and municipal politicians (b).

Source: SAF, Företagarenkät, SAF/Demoskop.

Figure 33 illustrates differences in perception of entrepreneurs and politicians on how well high school education (upper secondary education) is adapted to the local demands. In both

study areas, entrepreneurs (demand side) are less satisfied than politicians (supply side). As might be expected, the municipalities that have upper secondary schools (most of the LWPSE) are the ones that get the highest score (the only exception is Hultsfred, that seem to pass in a transformation in terms of economic structure, from a more traditional one (manufacturing/wood industry) to modern (music/culture). In this aspect, the LWPSE perform better than the WPSE because they are larger municipalities that comport upper secondary schools, often adjusted to the local economy's needs. As Table 56 shows, pupils need to commute to have access to upper secondary school, and may a share of them, never return to work locally.

Among the interviewees, regardless of the area of study, many pointed out that the level of education is not high (see citations below) especially in the modern branches. Many pointed out that a great share of those involved in local government, especially holder of high official positions, does not live in the municipality.

Among the minority groups (disabled people, foreigners), interviewees seem to agree that these groups face harder conditions to find a job, even though the integration and labour force policies have directed measures towards alleviating them (through language and training courses). Several interviewees recognise that foreigners are often over represented among entrepreneurs/family enterprises, especially in restaurant branch.

We have lower number of university-educated people and that does affect the kind of occupations here. Historically speaking we are a crisis area, which may also affect the statistics. On the whole we are an industrial area, which may be the cause. Many now place their hopes on IT and music, and hope for a change... The educational level is still quite low. Previously, education wasn't in demand, but now it is required and one hasn't really followed the trend. The demand is higher than the supply. The computerisation of everything has also demanded another attitude, another level of education and knowledge. One has to make adjustments and adapt, more and more. We have had great benefits from the program "kunskapslyftet" (education lift). Many of those who have had a lower educational background have managed to re-train themselves to the level they should be at. In Hultsfred, there is even a university branch with a number of courses from Kalmar and this has improved the situation. A special economics and music interdisciplinary program will be established in Hultsfred. From Kalmar (Public official, LWPSE).

What about the level of education? Perhaps it isn't that high. However, there are many places where it is. For example, in Motala. Where I live. I don't know if there are difficulties in education. Most people go to the gymnasium (high school) here, as in other places. **Is there any risk for emigration from the area?** No, I don't believe that is the case. The feeling is more that one should stay here if one is born here (Entrepreneur, WPSE).

I have gone to elementary school for seven years - who will be interested in me? Those who are 35, 40, they have either disappeared or got motivated to study. The older people who are left have got some kind of measures, such as computer technology, just to have something to do, you know. These people aren't counting on getting any kind of job. ... **Have you got employees?** No. When the allowances finish, we don't know what will happen...! If you don't have the possibility of extending the government allowance or something. We don't have the basis for customers; one has to work within a market. One hopes that the municipality, and industry help us in everyway possible, so that we get back on our feet.... Up until now I have got much support. It's only the economical pieces that have to fall in place (Entrepreneur, LWPSE).

How does the labour market agency function here? It works quite well, I think. They work quite well, I think. They co-operate with the municipality (Citizen, WPSE).

My office was instated about 10 years ago. It is to enable people with new ideas and who want to expand their companies. ALMI and regional unions help companies to expand. I am the leader of a course entitled, "Look at your market." Starting your own courses, being sponsor to various activates, the export union, the invention club, the council for products - all of these help people who have ideas. It's part of a co-operation between the municipalities and ALMI (Public official, LWPSE).

What do you think about the new branches, such as music branch? I am not quite convinced by it. There is perhaps a lot of the feeling of games in the Galleria, I think ...A sort of artificial resuscitation (Public official, LWPSE).

How do you evaluate the educational level among those who live here, compared with the kind of labour force that is in demand here? Yes, it is a problem that there aren't qualified training programs here. The companies train quite a lot themselves. They call for labour force and the unemployed that are available aren't capable because they have too low an educational standard. Especially within IT and things like that (Journalist, WPSE).

Unfortunately those people who do get themselves a higher education, for machine engineers, constructors, civil engineers... they don't stay here. They move on to the big cities, where often the wages are lower, but there are greater opportunities. Some are afraid to get stuck ... one looks after one's own children, so to speak (Entrepreneur, LWPSE).

Is it difficult to find trained labour? Yes, it is. And there isn't any local training that covers this problem and we have to look at the whole very thoroughly now. There are a few people who are self-trained and who want to go on, but

where will they go? Locally there is no place they can go today, after high school. I would like to see a kind of IT workshop in a training form, where one could try one's luck and see "what should my direction be"? (For example, web services, layout, and programming). This is still a sketch (Representative of Rock City, LWPSE).

The municipality works with starting their own courses. This won't give jobs directly. Together with the ALMI, we realise that some of this won't work. There much that will work, such as selling, and marketing. Most people can manufacture, but the most important thing is to be able to sell as well. Hultsfred's municipality has a lot to offer on the business side (Entrepreneur, LWPSE).

The level of education, then? Yes, well, it is rather low, that it is. **How should it be to serve the needs of the company?** I think that a lot of this goes together. Industry is traditionally rather... has demanded a low training level. It is here that they have tagged along behind. That is not really the case today. And there is a need to have help for those who'll be working here. **Schools, the adult education that exist here, are they adapted to the labour market?** There is of course the elementary school here. It is not specially adapted to the larger industries, at any rate (Museum chairman, WPSE).

We have a very good economy. That is the most important thing here. We also have a labour market agency, which works for the best of the employee (Representative, local association, WPSE).

How do you find the personnel? Well, they come from the workshop school; we take our trainees from there and some of them we train ourselves. Then they begin to work here, ... they are green and young, but we train them correctly so that they are a resource for us. I have many times experienced that the training isn't enough, long from that. Perhaps it is not the right time for this... it may be a few things that you forget for a while, there is a lot of computer starting here. We have worked a lot with universities, so we have taken students to do their practical research here (above all, machine engineers) from the universities in Kalmar and Växjö. And we have managed to employ some of them thence. That is just great. You give each other tips among the various branches, here and there and there is always someone who knows something or someone who can be of help, or be suitable. We also get help from our Board, which is comprised of people from Volvo, SAAB and many other companies, to find qualified people (Entrepreneur, LWPSE).

How does the training compare with what the companies want? It is too low. We are to begin working directly with the companies in order for them to get the labour force they need. This is a municipal initiative. **How do you assess the level of education for those who live here and those who you work with?** The women are often trained within care, school and child care facilities, while the men are mostly farmers and they need no education outside of their profession. **Do you think that the schools and adult education is adapted for their needs?**

Yes, within the field. When it comes to adult training, there have been attempts to raise it with tests of knowledge. There are also many training programs on the Internet (Local organisation WPSE).

4.1.3. Infrastructure

The is assumed here 'that a sufficient and growth-stimulating regional and interregional infrastructure, which fits regional needs and is of good quality, aids local economic development through a general reduction of costs, an increase of the potential for prosperous future development and the improvement of the quality of life in the region.'

"Infrastructure" is assessed here looking through four aspects: transport infrastructure, business-oriented infrastructure, consumer-oriented infrastructure, and tourism-related infrastructure. Furthermore, it is important to consider the impact of (regional) policy on the provision of infrastructure.

- Transport infrastructure

Compared to other regions in Sweden (northernmost, for example), the Southeast region is relatively well served by the transport infrastructure. The Southeast region has a relatively well-built road network, which means that one may reach Stockholm region in 3-5 hours and Malmö-Copenhagen region in 4-5 hours. The main road network is relatively well built while the secondary network, especially those in forest areas, presents limitations regarding their quality and bearing capacity. By train, the travel time to referred areas is respectively 3-6 hours and 4-6 hours. Southeast Sweden has 16 railway stations and several connections with the south tracks. There are few daily flight connections to Stockholm and Copenhagen from cities close to the region. The region has also several important connections with harbours such as Norrköping, Oskarshamn, Kalmar and Karlshamn. The harbour in Västervik is one of the most important of the region, handling approximately 100 000 tons per year with connections with European road network, the national road network as well as the railway. Regarding telecommunication infrastructure, the region had in 1996, 579

telestations and an extension of the network during the last 3 years, which would imply in an enlargement of its capacity towards a more efficient digital traffic was expected.

Information on transport infrastructure in the WPN and LWPSE areas is limited to general guidelines for each county; therefore, any comparison based on the exact infrastructure supply between the two areas is difficult to make. Table 58 gives an indication of the flow of transport goods between and within the Counties belonging to the study areas and exemplifies that the differences between counties are not high and nothing can be said in relation to the performance of the DORA study areas. However, general differences between study areas in terms of supply of transport infrastructure are possible to highlight here. In comparison to the LWPSE, the WPSE municipalities have the advantage of being connected (or of being very close to) a European Highway (E4), which plays an important role for the economy since Stockholm can be reached in just few hours. The secondary roadway is partially built up and relatively well maintained. There are relatively good connections by train and even by air from Jönköping and Norrköping, two main regional centres.

On the other hand, due to its central position in southern Sweden, Vetlanda and Hultsfred have close access to ports in eastern, southern and western Sweden. Hultsfred and Vetlanda are along highway 34 in the inland part of the Northern Kalmar county, about 300 kilometres from the Baltic Sea coast. Dackeleden between Linköping and Malmö leads through the municipality of Hultsfred and it is an interesting alternative to the E4 (the international highway), but certainly does not offer the same advantages to citizens in general. Both municipalities are directly linked to regional centres by train and Hultsfred has an airport with regular flights to Stockholm.

Table 58 Good transport per destination 1999.

Study areas	County	Goods transported	Destination (%)	
		1 000 ton	Within county	Abroad
LWPSE/WPSE	Jönköping	15 287	59	41
LWPSE	Kalmar	10 922	69	31
WPSE	Östergötland	15 732	69	31
	Sweden	328 900	73	27

Source: SCB, 1998.

According to the SAF survey (1999), entrepreneurs (users) are in general much more discontent with the transport infrastructure than politicians (suppliers). A slightly difference in opinion (average rate) is found among the entrepreneurs between the WPN and LWPSE areas. Entrepreneurs in LWPSE, Hultsfred and Vetlanda, judge the infrastructure more often as unacceptable than in the WPSE, although in both areas the infrastructure supply/quality is considered as unacceptable (Figure 34). Interviewees can also recognise the difference in transport infrastructure between the LWPSE and the rest of the region (See citations below).

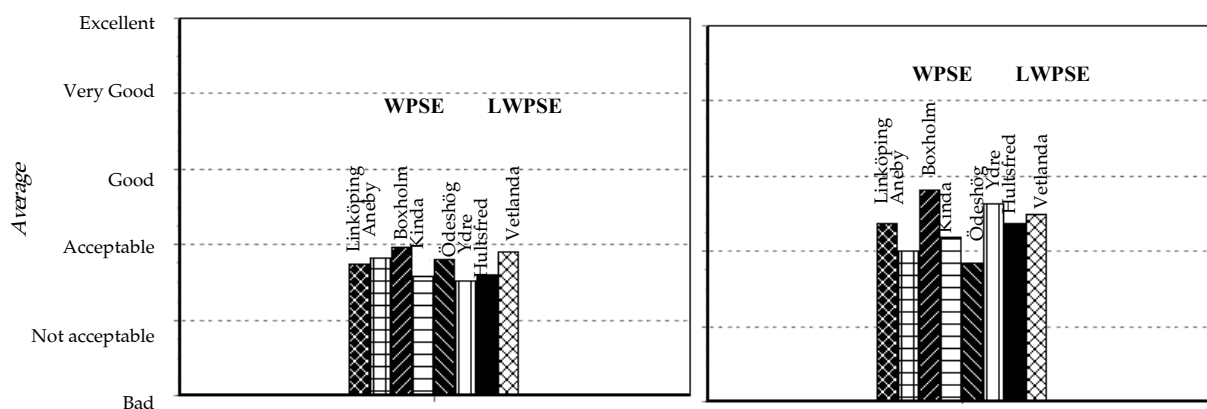


Figure 34 Infrastructure in the municipalities according to entrepreneurs (a) and municipal politicians (b).

Source: SAF, Företagarenkät, SAF/Demoskop.

What do you think about the transport and infra structure in this municipality? How does it affect your industry? The transport of goods and components functions very well. The new technology such as Internet and such, is that increasing in your company? Yes, it is. We want to have broadband so that we can communicate quickly. This is a must (Entrepreneur, WPSE).

Roads are the big problem here. The standard of motorways is bad. It affects tourism negatively and most of all, other companies (Public official, LWPSE).

O yes, there were new motorways inaugurated in November last year (Representative of local association, WPSE)

We have the Coastal Arrow (trains), which is new. Perhaps it is not so much about transport. One must ask oneself why do people not want to move here? There is clean environment and fresh air, but there are other places that can offer that. We have had an initiative in the branch of music, but I think that is only temporary (Public official, LWPSE).

They have redone a large bit of the European Motorway 4. It was quite narrow before and now it is a motorway. This has enabled us to save about 10 minutes when you're driving to Linköping, and that is a great deal of time, if you drive every day. And the traffic flows smoothly (Entrepreneur, WPSE)

We have good transportation. We have trains and coaches. We want more investment in road maintenance and construction (Politician, WPSE).

- Business-related infrastructure

Business-related infrastructure is important since it fosters regional growth by cost reducing effects and providing attractive locations for new investments. Business-related infrastructure is composed by essentials used by business (such as industrial parks, technology parks, business districts, R&D infrastructure) or which have a special relevance for the locational decision or cost structure of business (such as energy/water supply, waste treatment, telecommunication).

The region SE has a EU office, the East Sweden Brussels Office. It was set up in 1996 in order to support the regional partners in monitoring the development of the EU. East Sweden Brussels Office focuses on issues of importance to the region, such as the Information and Communication Technology, Transport, Environment and co-operation in the Baltic Sea area. The regional partners are the municipalities in the county of Östergötland, the Östergötland county council, the county administrative board of Östergötland, and the University of Linköping (which includes the WPSE area). The Southeast Sweden region has two other educational institutions at university level, Jönköping University and Kalmar College that offer courses in other small municipalities, such as in Hultsfred. The Southeast region receives influences from the University of Växjö, which is located in a neighbouring region. The university has a wide-reaching network with companies and organizations in the region and with Swedish society at large. The university has a special Business and Society liaison office with the task of assisting companies, organizations and government agencies to obtain relevant information on the resources in R&D available at the university. In general terms, the WPSE seem to be located in a buffer area of the main regional universities (Linköping, Jönköping and Växjö) than the LWPSE (to less extent, Kalmar and Växjö).

With regard to basic urban infrastructure, the DORA study areas are very similar in terms of vacant places for industries and businesses; often there is a good supply that is used to attract new business through special arrangements.

Is there land for industry? Land exists, that's no problem. That is obvious (Local organisation, WPSE).

Land is what we have here. They (enterprises) should come... I am sure the municipality would help them out (Entrepreneur, LWPSE)

- Consumer-oriented infrastructure

The market for real state purchase seems to be similar in the DORA study areas, perhaps slightly more dynamic in the LWPSE. One indicator is the market for detached permanent houses, the average purchase price between the study areas differs only in 4 SEK Thousands, the highest price was in the WPSE (Table 59).

Table 59 Real state purchase in Southeast Sweden, purchase of detached permanent houses, 2000.

	Average purchase price (SEK Thousand)	
	Total purchase	
WPSE	258	419
LWPSE	338	415

Source: SCB, Fastighetsprisstatistik, 2000 (www.scb.se).

A well-developed consumer-oriented infrastructure improves the quality of life in a region, here analysed by supply and accessibility to basic services⁴⁸ (stores, post offices, pharmacy and schools). While this can be seen as a form of regional success in its own light, it can also be seen as a location factor. This type of basic infrastructure contributes to the attractiveness of a region for new investments by providing a certain level of life quality for the entrepreneur and employees, as well as inhabitants of the region in general. Difficult to affirm which area perform better in terms of accessibility to services in SE region since the LWPSE seems to have better accessibility to stores and post offices whilst for pharmacy and junior high schools, the WPSE perform better.

Contrary to what may be expected, the well performing area has a slightly worse accessibility to stores than the less well performing areas. The same can be said for post offices. This can be related to the differences in population sizes of the municipalities belonging to the study areas: Vetlanda and Hultsfred have a better customer basis than Ödeshög, Boxholm, Kinda, Ydre and Aneby. About 75 per cent of the population in the well performing area has access to stores within 5 km, which is a lower percentage than that expected to the whole Southeast region (85 per cent). This can be explained by the fact the whole region's average is based on data including urban centres and larger cities.

For the whole Southeast Sweden region, 25 per cent of individuals had access to a pharmacy within 1 km and 77 per cent within 5 km. Many pharmacies have been closed down during the last few days, decreasing the number of individuals who have had access to pharmacy within 1 km (from 30 to 25 per cent in the well performing area and 24 to 20 per cent in the less well performing area). In general terms, the WPSE have better access to pharmacies than the LWPSE, that is to say, greater share of the population had shorter distance to pharmacies (see appendix 4). The same could be said about accessibility to junior high schools. The WPSE area has shorter distance to schools than the LWPSE.

Of course a selection exists and as a result of what happened earlier here, you have to have very low housing prices in certain boards. That ought to effectively bring more people here. But it doesn't (Public official, WPSE).

Right now we have far too many flats under the auspices of the municipality. A few blocks of flats are available privately. That is the way it has been for the past 4 - 5 years. For the municipality this is devastating. There is a deficit in the company owing to the many un-leased blocks of flats (Politician, LWPSE).

We have a surplus of housing here, not really a tremendous amount of empty flats. Even within the villas and cottage areas (Politician, WPSE).

- Tourism infrastructure

The WPSE area has a better tourism infrastructure than the LWPSE (Table 60), not only in terms of hotels capacity but also in terms of organisations directed to tourism activities (see section 4.1.1). No significant difference is found among the study areas regarding the origin of the consumers that use such infrastructure – the only exception may be among those coming from outside Europe (Table 61).

⁴⁸ This analysis was performed using the *Service-database* developed by The Swedish National Rural Development Agency/National Consumer Agency –KO, in combination with a Desktop Mapping System (MapInfo Professional Version, 5.0). The database uses an accessibility model based on the distance through roads from a start point (individual residence by cell) to a destination point (services' location – by coordinate). The output is generally a table in which each row represents a cell on the map. A figure is attached to each row (cell) showing how many individuals or households have access to a certain service, either in time (minutes) or distance (Km). A web version is now available at <http://www.Servicedatabasen.com>.

Table 60 Available capacity of tourism infrastructure: hotels, hostels (vandr rhem) and rental summer house (bystugga) in Southeast Sweden, Jan-Dec 2000.

	Total establishments	Available capacity	
		Room	Bed
WPSE	20	80273	237190
LWPSE	14	87350	203998

Source: SCB, 2001.

Table 61 Use of tourism infrastructure: hotels, hostels (vandr rhem) and rental summer house (bystugga) in Southeast Sweden, Jan-Dec 2000 by country of origin (% in parenthesis)

	Guest-nights from			
	Sweden	Nordic Countries	Europe	Outside Europe
WPSE	35963(79)	2754(6)	6566(14)	277(1)
LWPSE	33483(76)	3364(8)	6481(5)	445(1)

Source: SCB, 2001.

-Regional policy and decision making

Comparing the total amount of state expenditures towards the study areas, WPSE receives considerably more allowances than LWPSE. The most outstanding areas of expenditures are 10-13 concerning different kinds of social security. Here a large amount of money is allocated to the study areas on an almost equal basis, which reflects the welfare policy of the Swedish state. For the expenditure area covering traditional regional development policy, the amount of money directed to the study areas is relatively small compared to other areas of the budget. Here significant disparities between the two study areas can also be observed with WPSE receiving more than three times as much as LWPSE. This can be seen as a result of the higher spending in terms of EU projects towards WPSE, as the expenditure area contains the amounts of the proposed ERDF spending as well as some national co-funding.

The most striking difference between the DORA study areas in terms of expenditures of the Swedish national budget is the area of 'transport and communications' (Table 62). The large increase of resources for transportation and communication in WPSE is caused by a temporary demand in the municipality  desh g in which a visitor centre was established at that point in time.

Table 62 Areas of expenditures of the Swedish national budget and expenditures to Southeast Sweden in 1998, Euro per capita

Area of expenditure	WPSE (%)	LWPSE (%)	National average* (%)
Regional balance and development	79(1)	23(0,5)	33(0,5)
Transport and communications	1914(27)	185(3,5)	374(4)
General grants to local government	1250(17)	986(19)	956(10)
Total	7123	5266	9447

Data source: NUTEK (2000b)

* Data source: Aggefors & Bodevik (2000), p.59.

It will be difficult to show the proposed development capital for the specific DORA study areas, as they are part of different counties and, hence, apply for project funding at differently sized development capitals. Another problem is that taking advance of the development capital lies in the hands of each municipality. Therefore, it is not possible to predict which municipality will receive money, especially if the growth agreements came into use first with the year 2000. Consequently, the data presented here, will give an impression of how much money is available for development in the different counties and which of the study areas are able to apply for which pot. Since some of the financial plans of the RGAs are not completely fixed for the forthcoming years showing only a preliminary budget, the analysis covers expenditures for budget year 2000, by taking this as the most definite spending.

All municipalities of the study area WPSE, except Aneby, are eligible for projects of Östergötland's regional growth agreement. Table 65 displays the different areas of investment, which were selected as being the main catalyst for economic growth in the county. In terms of budget, the area 'education and competence', aiming to bring labour market needs and the educational system closer, is the most important, followed by expenditures on supporting new and already existing enterprises in the county.

Table 63 RGA Jönköping, budget year 2000, Euro per capita

Area of investment	Sum	%
Education	5,07	8
Attractiveness	54,65	81
Industry	6,03	9
Infrastructure	0,72	1
Co-operation council	0,54	1
Total	67,01	100

Source: Länsstyrelsen Jönköping (2000), Appendix.

Table 64 RGA Kalmar, budget year 2000, Euro per capita

Areas of investment	Sum	%
Local development centres	16,01	35
Music- and entertainment industry	6,12	14
Baltic Business School	7,83	17
Knowledge supply	10,87	24
Design	4,38	10
Total	45,21	100

Source: Regionförbundet Kalmar (2000), p 38-45.

Table 65 RGA Östergötland, budget year 2000, Euro per capita

Area of investment	Sum	%
Entrepreneurship and new enterprises	33,79	30
Development of existing enterprises	23,26	20
Attraction of foreign capital	1,00	1
Education and competence	46,40	41
Strong industrial cluster	9,59	8
IT infrastructure	0,29	0
Total	114,33	100

Source: Länsstyrelsen Östergötland (2000), p.5-7.

Municipalities of different study areas are eligible for projects of Jönköping's RGA: Aneby (WPSE) and Vetlanda (LWPSE). As shown in Table 63, the RGA puts emphasis in terms of spending on improving attractiveness of the area by establishing an international art museum ('Vandalorum'). This project takes up 81 percent of the county's 'development capital' for the year 2000. Hulstfred is the only municipality of the study region Southeast Sweden, which is eligible for funding from Kalmar's RGA, Table 64. The main focus of the agreement is on establishing and supporting local development centres, which carry out various projects in business development. Another important issue is the dissemination of knowledge, which builds on a close cooperation between the business sector and institutions of higher education.

Another interesting feature is the different size of available finances between the study areas (or county councils involved). Here, Östergötland, including the municipalities of WPSE, has raised the highest budget and indicates that the well performing area is more able to activate local actors to participate in the development of the county. Kalmar, on the other hand, has the lowest budget available, which implies that the less well performing area is less

able to join forces for development. The county Jönköping has a mid-sized budget fitting in the overall picture, as it contains municipalities of WPSE and LWPSE.

The Southeast region has a quite homogeneous distribution of EU programs as Objective 5b area. In 2000, a new program period started for the structural funds in which the Objective 5b area is to be combined with the previous Objective 2, having a wider goal and a larger territorial basis. The new Objective 2 area is to focus mainly on industrial regions with structural problems (current Objective 2) and rural areas with negative development (current Objective 5b). Table 66 illustrated the main projects taking place in the SE region by study area/county.

Table 66 SE Sweden - EU Programs and main projects taking place in the region.

Programs	Description	Study areas of SE		
		WPSE & LWPSE Jönköping County	WPSE Östergötland County	LWPSE Kalmar County
Objective 2	To support industrial regions with structural problems	X	X	X
Objective 3	To decrease unemployment and increase knowledge among unemployed labour force	X	X	X
Objective 4	To develop competence and improve work conditions in SME	X	X	X
Objective 5a	To support agriculture	X	X	X
Objective 5a	To develop and adapt the fishing sector		X	
Objective 5b	To develop rural areas	X	X	X
Objective 5b	To develop archipelago regions		X	X
Objective 6	To support sparse populated areas	X		
Projects				
LEADER II/+	To initiate common initiatives for development of rural areas	X	X	X
SME-initiative	To develop common initiatives to increase competitiveness of SME	X	X	
INTERREG IIC	To develop common initiative for co-operation in Nordjö and Baltic sea	X		
Natura 2000	To estimate environment protection of sensitive regions	X		
GROW/ALMA or similar	To Raise Opportunities for Women To increase the share of female entrepreneur	X	X	X
Employment & Adapt	To develop common initiatives for new solutions in the labour market and to increase competence in transnational co-operation	X	X	
PESCA	To support people and enterprises in the fishing sector			X
Interprise	To stimulate contacts between entrepreneurs and in this way to create co-operation between small and medium enterprises from different parts of Europe		X	
Europartenariat	To give the possibility to enterprises in regions with weak business structure to create international contacts		X	
IRC	To provide services to enterprises that want to invest in techniques and marketing		X	

4.1.4. Investments

The initial hypothesis is that higher rates of investments in relation to gross value added can induce/stabilise regional economic growth with different effects on the labour market. Furthermore, a good availability of investment capital aids local economic development through providing the essential precondition for new firms and business start-ups.

Table 67 illustrates industrial investments directed to (building and machines – byggnader och maskineri) study areas at county level in 1991, 1995 and 2000. This reflects only a partial input of sectoral investments, with the Östergötland county (includes mostly WPSE municipalities and one LWPSE municipality) receiving the largest share from 1990 to 2000. It is important to note that Kalmar county, which includes the LWPSE area, received the

smallest share. In general terms, the county councils that include that WPSE areas are the ones that received most of the industrial investments.

Table 67 Industrial investments 1991, 1995, 2000, thousand crowns (i löpande priser)

	1991	1995	2000
Östergötland(WPSE/LWPSE)	1958(5)	3141(6)	2807(5)
Jönköping (WPSE)	107(3)	1705(3)	1830(3)
Kalmar (LWPSE)	801(2)	1337(2)	1317(2)
Sweden	36040(100)	55644(100)	52314(100)

Source: SCB, SNI92.

Since no reliable information about how much private investments are directed towards the study areas, the factor 'investment' for the Swedish case focuses on the amount of public spending instead. Another reason to concentrate the analysis on public investments is the fact that they reflect not only the availability of capital but also the capacity of local actors to organise themselves to receive these investments.

This section shows the different financial sources available for regional development in the study region Southeast Sweden. In the first part, spending from EU resources are analysed followed by the distribution of the Swedish national budget including the transfer system, which will be described and examined. Later, the expenditures of county councils and municipalities, which contribute to regional development, are assessed. Finally, regional growth agreements of the respective counties of North Sweden are analysed regarding available resources for development.

- EU structural funds

The two study areas are eligible for various regional development programmes under the EU structural funds, especially objective 5b regarding the previous programming period. The following analysis covers the spending on projects of the regional objectives as well as data about projects of Community Initiatives of the past EU programming period, which are financed by ERDF and EAGGF. NUTEK (National Board of Industrial and Technical Development), provider of the database, is the responsible national authority for the distribution of both of the EU funds. It ought to be mentioned that the EU project database used for the analysis has been criticised for its reliability and for not including ESF spending. Nevertheless, general tendencies of the distribution of finances can be drawn from the available data. Since national co-financing is an important element for EU funding, the contribution of the Swedish public and private sector is taken into account in the analysis. Hereby should be recognised that public co-financing of EU projects is just a small part of Swedish public finances and is used for illustrating the dimension of EU spending, but will be further analysed in the next chapter. The data shown below (Figure 35) reflects the spending paid out to the projects and not the budget, which was agreed about in the beginning of the programming period.

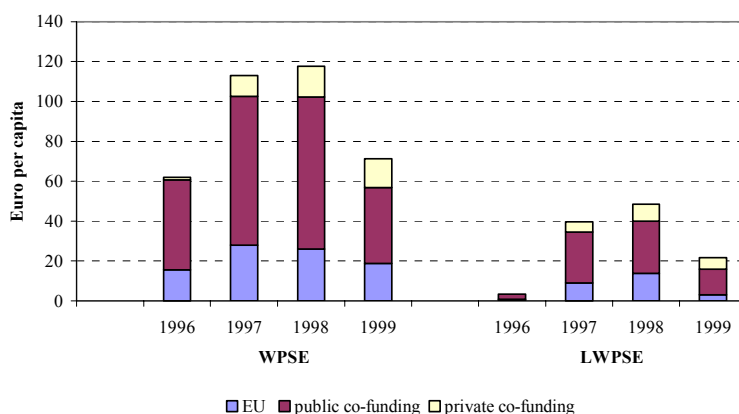


Figure 35 Spending on EU projects in Southeast Sweden, Euro per capita.
Data source: NUTEK (2000a).

Comparing the two study areas, WPSE receives considerably more EU funds than LWPSE, being more than three times the amount, which can be interpreted that WPSE area has been more active in starting up projects. It can be seen in the above figure that both study areas have had a slow start in raising EU funds, especially LWPSE. The low payment rate for 1999 must be interpreted as such that there exist some delays in payment and that not all projects were completed at the point of data collection. In relative terms, the trend in expenditures of the two study areas in the period 1996-99 has been quite similar. The EU contributed one-fourth of the total spending. Regarding co-financing, it can be seen that in 1996 the public sector paid about 75 percent with the proportion declining until 1999 to approximately 55 percent. Hence, the two areas were finally able to activate the private sector to contribute to regional development.

Because of its specific direction to rural areas, the Community Initiative LEADER is of special interest to look at. The Local Action Groups (LAGs) started working with some delay in Sweden, in late 1996, as the country entered the EU not until 1995, followed by a period of preparation and evaluation needed for choosing the LAGs (Larsson, 2000) Hence, the structures for running projects in LEADER were not well established in the Swedish context.

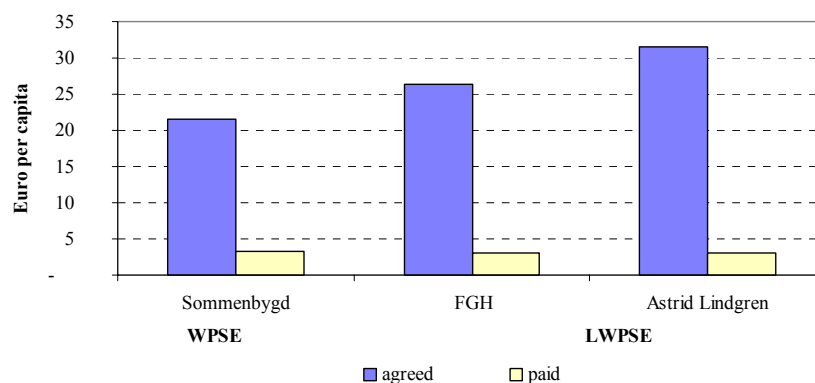


Figure 36 EU spending to LAGs relevant for Southeast Sweden, 1996-99, Euro per capita
Data source: The Swedish National Rural Development Agency, Glesbygdsverket (2000).

At the time of data collection, i.e. January 2000, the payment rate of the agreed budget was quite low (Figure 36). Only between 10 and 19 percent of the total agreed EU spending was directed to the LAGs of Southeast Sweden at this point. The reasons are that some of the projects have not been finished at that point and, additionally, that EU funding for projects is not paid in advance, but afterwards for verified expenses (Larsson, 2000b). Examining the two study areas, LAG-groups of the relevant municipalities of LWPSE have a slightly higher amount of per capita spending available for regional development according to the agreed budget. By looking at the number of accepted project proposals in the respective LEADER plan, with 'Sommenbygd' having 125 projects, 'FGH' and 'Astrid Lindgren' having 158 and 123 projects, respectively, it does not completely reflect the availability of finances, since the size of the projects is another important variable. One common feature of the projects is the LAGs' interest in developing local service and small enterprises covering the highest number of projects. In 'Sommenbygd' and 'FGH' the development of rural tourism obtains the same importance (Svenska LEADER nätverket, 1999). All in all, the performance of the two areas is quite similar having only minor differences in the amount of finances available for rural development for the period 1996-99.

- EU agricultural spending

Support by the Common Agricultural Policy (CAP) can be divided into market price support, direct support as well as other kinds of support. The first category, market price support, is

mostly a general support available to all farmers in the form of import tax, intervention measures as well as export subsidies and production quotas. Secondly, different kinds of direct support are available, which can be directed generally as well as selective: Area compensation and animal subsidy is available over whole Sweden and is completely paid via EU funds. Additionally, there exists a compensation subsidy, which is a EU co-financed subsidy, directed to mountain areas and so-called less favoured areas. It includes the subsidy areas in northern Sweden as well as parts of woodlands in the middle and southern part of Sweden and, hence, the Swedish DORA study areas. There is also a national subsidy, which complements to the EU compensation transfers and is directed to specific areas in the north of Sweden. Furthermore, there exists an environment subsidy for preservation of an open cultivation landscape, which is available for regions also eligible for the EU compensation subsidy. Within the last five years even more subsidies in the field of environment came about. The third category 'other kinds of support' covers structural support in the form of investment support and starting support as well as special social spending. (Jordbruksverket, 1999)

The following data is taken from an evaluation done by the Swedish Board of Agriculture showing the total income of farmers and the respective shares of market price support and direct support. The figures were only available for a larger area than the study region. Hence, the figures shown here reflect the situation for the region Southeast Sweden in relation to a respective larger geographical region (i.e., Götlands woodland), based on the relative difference of the number of farmers. Given the data available, the third category of the above-mentioned subsidies is not taken into account in the subsequent analysis. Additionally, the figures for direct subsidies do not cover diverse environmental subsidies, except the environmental subsidy for preservation of an open cultivation landscape (Jordbruksverket, 1999). The term 'farming income' is defined as the difference between the total income of farmers and the amount of support they receive. It ought to be taken into consideration that the figures for financial support analysed below include EU as well as national funding. For instance, the category 'direct support' contains also compensation spending, which is solely national. Hence, this amount will also be counted in the figures of the respective expenditure area in the subsequent section on national spending.

Table 68 Financial support and farming income in Southeast Sweden in 1998,
Euro per farmer

Study area	Number of farms*	Total income	Market price support (% of total income)	Direct support (% of total income)	Farming income (% of total income)
WPSE	1024	27842	11821 (42)	5192 (19)	10829 (39)
LWPSE	896				

Data source: Jordbruksverket (1999), p.36.
* SCB (1999c).

Table 68 shows the subsidies given per farmer in the study region. Having a look at the relative EU (and partly national) spending towards the study region, the data shows that financial support is about 60 percent of the farmer's total income, indicating that farming in the Southeast region is much depending on external resources, which is caused by the less favourable conditions for agriculture in the region. Here, the region has taken more advantage of the market price support, i.e. 68 percent of the total financial support directed to the region, than of the direct support, which is 30 percent of the total support. The total per capita income from agriculture in WPSE, illustrated in Figure 37, is considerably higher than in the LWPSE, which is a result of the greater number of farmers in the WPSE area.



Figure 37 Financial support and farming income in Southeast Sweden 1998, Euro per capita.
Data source: Jordbruksverket (1999), p.36.

- National spending including transfers to municipalities

Since the reform in 1996, the Swedish national budget has been sub-divided into 27 areas of expenditures. It also includes an area on specifically regional balance and development (area no. 19), which aims to facilitate the development of the business sector in particularly defined priority areas. But in order to survey the whole range of expenditures having a regional impact, it is necessary to widen the definition of regional development policy. Despite the so-called small-scale regional policy, which is covered by expenditure area no. 19, one should take into consideration other policy sectors, which do have (unintended) effects on regional development. This is taken into account in the large-scale regional policy incorporating the 'traditional' regional policy as well as expenditures of sectors like labour market, education or infrastructure policies (Näringsdepartementet, 2000). Hence, to analyse development spending available for Swedish municipalities in the study areas we decided to look at all areas of expenditures of the state budget, which are listed in Table 69. The data used for analysis was given by NUTEK, which built its own analysis of the regional distribution of the state budget on that information. It is based on a database produced by Statistics Sweden for the budget years 1997 and 1998 (Aggefors and Bodevik, 2000). One important fact when looking at national spending is that payments related to EU structural funds are budgeted and accounted in the Swedish national budget and, hence, can have an (additional) effect on the regional distribution of national spending.

Comparing the total amount of state expenditures towards the study areas, WPSE receives considerably more allowances than LWPSE. But within the various areas of expenditure considerable differences in the distribution of finances may be found. The most outstanding areas of expenditures are 10-13 concerning different kinds of social security. Here a large amount of money is allocated to the study areas on an almost equal basis, which reflects the welfare policy of the Swedish state. For the expenditure area no. 19, covering traditional regional development policy, the amount of money directed to the study areas is relatively small compared to other areas of the budget. Here significant disparities between the two study areas can also be observed with WPSE receiving more than three times as much as LWPSE. This can be seen as a result of the higher spending in terms of EU projects towards WPSE, as the expenditure area 19 contains the amounts of the proposed ERDF spending as well as some national co-funding.

Table 69 Areas of expenditures of the Swedish national budget and expenditures to Southeast Sweden in 1998, Euro per capita

Area of expenditure	WPSE	LWPSE	National average*
01 The Swedish political system	0	0	57
02 Economy and fiscal administration	0	1	26
03 Tax administration and collection	0	35	79
04 Justice	26	54	284
05 Foreign policy administration and international co-operation	0	0	34
06 Total defence	2	1	570
07 International development co-operation	0	0	153
08 Immigrants and refugees	20	126	58
09 Health care, medical care and social services	250	294	310
10 Financial security in the event of illness and disability	460	485	546
11 Financial security in old age	979	1004	833
12 Financial security for families and children	471	430	482
13 Financial security in the event of unemployment	431	489	496
14 Labour market and working life	456	493	631
15 Study support	200	213	291
16 Education and university research	43	48	365
17 Culture, the media, religious organisations and leisure	57	62	97
18 Community planning, housing supply and construction	91	107	297
19 Regional balance and development	79	23	33
20 General environment and nature conservation	0	1	16
21 Energy	3	1	10
22 Transport and communications	1914	185	374
23 Agriculture and forestry, fisheries and related industries	390	229	343
24 The business sector	0	0	34
25 General grants to local government	1250	986	956
26 Interest on central government debt, etc.	not distributed		1507
27 The contribution to the European Community	not distributed		282
Total	7123	5266	9447

Data source: NUTEK (2000b)

* Data source: Aggefors & Bodevik (2000), p.59.

Of importance for regional development are also 9, health care, and 14, labour market, which get relatively high amounts of total spending, although minor variations between the two study areas can be found. There are two more areas of expenditures, which can contribute to a different performance of the study areas. Firstly, no. 23 supporting agriculture and forestry, here the WPSE receives a higher per capita spending than LWPSE and, secondly, no. 22, transportation and communication infrastructure, where the amount of money directed to WPSE is exceptionally higher than for LWPSE, which will be explained below. Another interesting result is the distribution of expenditures for area 8, immigrants and refugees: here LWPSE receives significantly more than WPSE as well as the national average. The reason is that more immigrants live in LWPSE, which contributes to a different social structure compared to WPSE. The expenditure area 25, general grants, showing also differences between the study areas, will be analysed in a later section, since it is part of the grant and equalisation system.

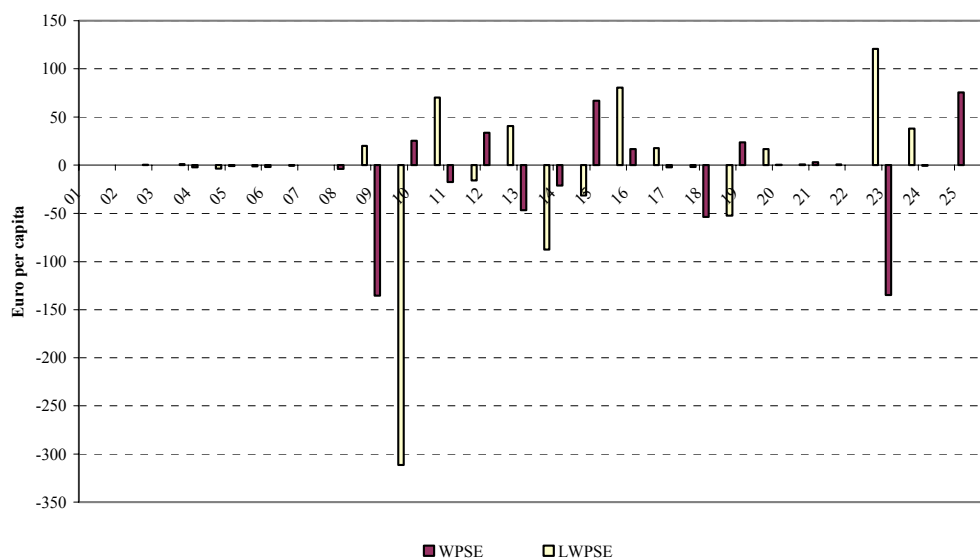


Figure 38 Differences in national spending 1997-98 in areas of expenditures in Southeast Sweden
Data source: NUTEK (2000b).

Figure 38 illustrates the changes of state budget spending between 1997 and 1998 excluding the data on expenditure area 22 for WPSE. This is a result of the fact that here an extraordinary change has occurred, i.e. an increase of 1358 Euro per capita, which would spoil the graph's expressiveness for all other changes in areas of expenditure. The large increase of resources for transportation and communication in WPSE is caused by a temporary demand in the municipality Ödeskö in which a visitor centre was established at that point. But also the respective spending to LWPSE has increased for that period. There can be seen a common trend in terms of cut-downs for area no. 9, health care, in which both study areas were facing a decline in state support from 1997 to 1998. Another considerable decline occurred in support for agriculture and fisheries in WPSE. The variations of other areas of expenditures are minor in size, not following a common trend, and concern payments for social security measures, which are not specifically concerned with regional development, but can still influence the attractiveness of an area.

A new system of grants and equalisation payments was introduced in 1996, which can be divided as followed: income equalisation grants, expenditure equalisation grants and general state grants. Additionally, there are regulations for adjusting the payments for a transition period. The system exists on municipal as well as county council level with minor differentiation, but only the system for the municipal level will be described in detail here. Income equalisation intends to balance out differences between taxable incomes of municipalities compared to the whole country. Expenditure equalisation aims to compensate for additional expenditures caused by structural differences, e.g. the population's age structure, social conditions as well as geographical and climatic conditions. The starting point of both allowances is that they are not grants, but based on variation from the national average. Hence, better off municipalities pay and other municipalities receive money, which also implies that the equalisation system is neutral in terms of state finances (Svenska Kommunförbundet, 2000). The general state grant (see also expenditure area 25 of the state budget) consists of a population-based and an age-based state grant and exists beside of the equalisation payments. It is above all a source of income for municipalities aiming to contribute to a good and uniform basis for the fulfilment of its activities (Hägroth, 2000). The population-based grant is given to all municipalities at one and the same rate per capita. The age-based grant came about not until 1997 and is calculated according to the number of young and elderly people in the municipality. For levelling out negative effects that occurred with introducing the new system, there exist specific temporary regulations. Municipalities

with increased revenues as a result of the new system got a gradual increase over the period 1996-98. In contrast, for municipalities getting reduced revenues the adaptation period is longer, 1996-2003, defining a maximum reduction per capita and year (Svenska Kommunförbundet, 2000). The Figure 39 here shown data reflects the aggregated figures for the grant and equalisation system, including the four aforementioned components over the period 1996-99. It should be taken into consideration that the figures reflect annual prices.

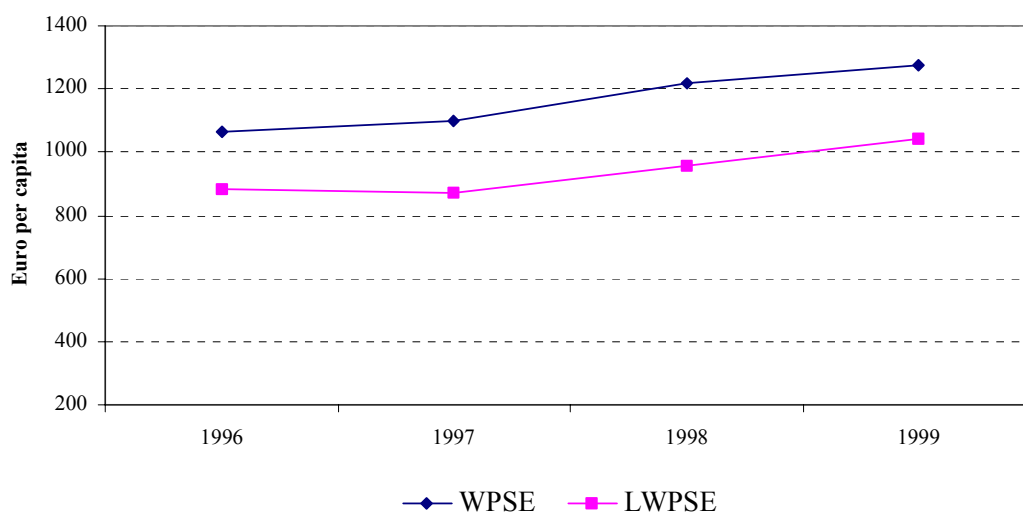


Figure 39 Government grants and intra-municipal equalisation to Southeast Sweden, Euro per capita

Data source: SCB (1996) p. 58-88, SCB (1997) p. 40-88, SCB (1998) p. 38-87, SCB (1999) p. 40-87.

Figure 39 illustrates that the level of financial transfers per capita to the study areas varies considerably, with WPSE receiving more money than LWPSE. Looking only at the general government grant (see Table 69, expenditure area 25), as one component of financial transfers it explains the fairly higher level of finances available for WPSE. In general terms, both areas follow the same trend over the period 1996-99: a steady increase of allowances. This increase reflects a development constrained by temporary regulations for the grant and equalisation system introduced in 1996; the gradual change of municipal revenues. But the development is also influenced by the fact that the available data is given in annual prices.

- Spending of county councils and municipalities

Since county councils, as elected bodies on the regional level, have their own financial resources raised by taxes or given by state transfers, they are able to contribute to the development of the region on their own behalf. The same is valid for municipalities, which decide on their own budget as well. For both, the individual income taxation remains the major source of income, even though the transfers from the state are becoming increasingly important (Häggroth, 1993) The areas of responsibility are slightly different for county councils and municipalities, with the county councils taking care of matters of common interest, which would be too wide-ranging and expensive to handle for a single municipality.

The main responsibility for county councils lies within the field of health care, but also covers public transport, culture, higher- and upper secondary education, tourism, the environment, support for business and industry as well as regional growth and development. (Landstingsförbundet, 2000, p.1) The data source, i.e. economic statistic published by the Federation of Swedish county Councils, categorises the areas of activity as shown in Table 70. Thereby, the category 'diverse activities' (no. 6) includes services like public transport, tourism, and measures for industrial and labour market support. The data shown is defined as net costs, which refers to all costs reduced by all revenues, which helps to illustrate the amount of money county councils have to spend on their areas of activity.

Table 70 Classification of county council net costs and national average 1999,
Euro per capita

No.	Area of activity	National average net costs
1	Health service (including dental service)	1366
2	Social activities	6
3	Care for mentally retarded people	1
4	Education	33
5	Cultural activities	22
6	Diverse activities	69
7	Central administration	38

Data source Landstingsförbundet (1999).

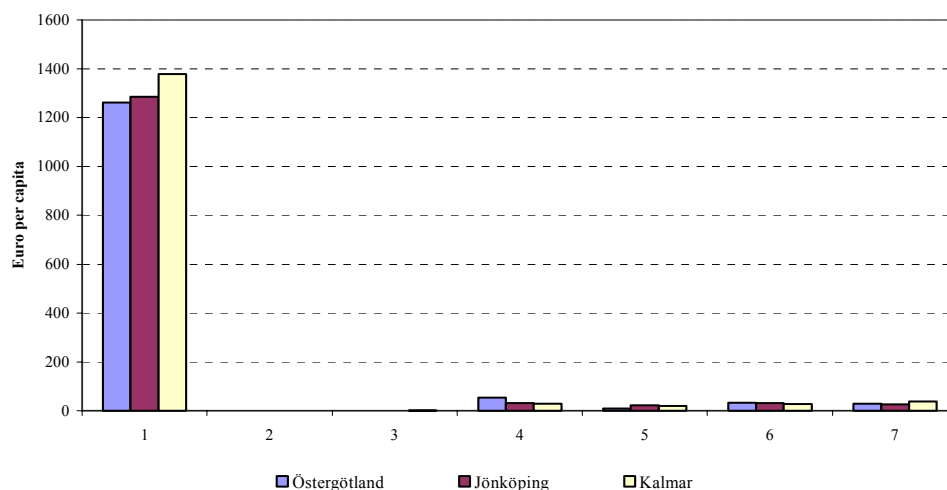


Figure 40 The net costs for county council activities in Southeast Sweden, 1999,
Euro per capita.

Data Source: Landstingsförbundet (1999).

Figure 40 clearly reflects the importance of certain activities for county councils, with health services as their main sector of responsibility. There are just minor variations in the amount the three county councils have to spend on the different activities. Beside of fairly higher costs for education in the county of Östergötland, no particularities can be found between Östergötland, representing WPSE, Jönköping embodying WPSE and LWSE and Kalmar standing for LWPSE. This finding can be explained by, among other things, the fact that the city of Linköping, a quite important location for higher education, is situated in the county, but not in the WPSE region itself. Comparing the data with the national average, it is again Östergötland that has higher costs for education than the national average, but having lower expenses for culture. All three counties show lower costs for the category ‘diverse activities’ than the national average, but the available data does not offer an explanation for this result, as there is not data available for the sub-categories comprising ‘diverse activities’.

Municipal tasks include a wide range of activities directed to each individual in the respective area, which cover the very basic needs of people. The following analysis of municipal spending is based on data of net costs of municipal activities for year 1999. Net cost are defined as gross cost reduced by intra-municipal income and other forms of income of activities. These figures can give an impression of how much the municipalities have to spend on different activities, which also includes measures for regional development. Table 71 shows the categories to which the municipal activities are aggregated. Contrary to the above data on county councils, there does not exist a specific category for administration costs in these data; here the costs are included in each of the areas of activity. (SCB, 1999b)

Table 71 Classification of municipal net costs and national average 1999,
Euro per capita

No.	Area of activity	National average net costs	%
1	Political activities	56	2
2	Infrastructure, security	232	7
3	Spare time activities	98	3
4	Cultural activities	88	3
5	Pre-schools and school child care	432	13
6	Education	1158	34
7	Care for elderly and disabled people	1015	30
8	Individual and Family care	300	9
9	Specially directed activities	42	1

Based on: SCB (1999b), Def4

100

Data source SCB (1999b), Vkv4.

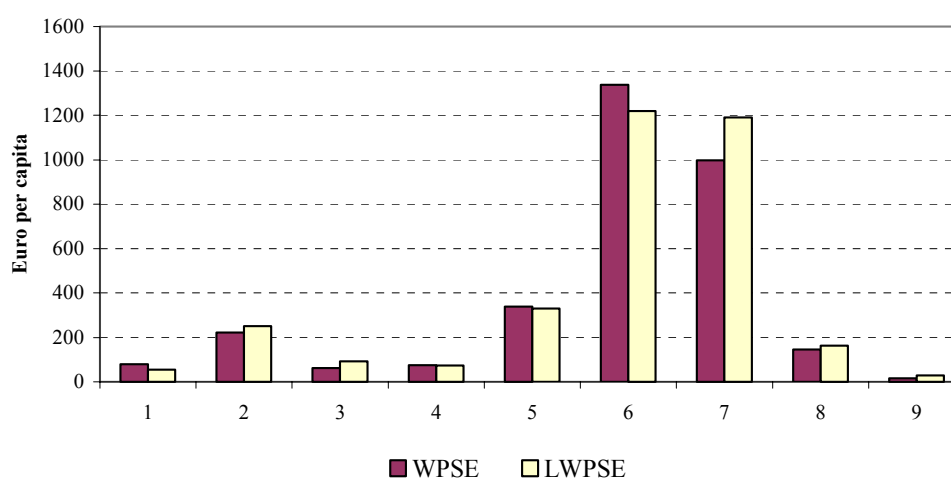


Figure 41 The net costs for municipal activities in Southeast Sweden, 1999,
Euro per capita

Data Source: SCB (1999b), Vkv4.

Figure 41 illustrates that the costs for elderly and disabled people as well as families comprises the highest amount of costs. The amount of money municipalities have to spend on infrastructure, education, cultural and spare time activities are quite low compared to that, but they are equally important for the development of the area. The costs of activities for the Southeast region, and especially for LWPSE, go along with national average costs, except for 'pre-school and school child care' and 'individual and family care', where both areas have lower expenditures than the national average. Among the two study areas there can be found further differences, as WPSE has lower expenditures for care for elderly and disabled people, this is be connected to the fact that the demographic structure of LWPSE is different from WPSE.

- Available resources from Regional Growth Agreements - RGA

In spring 1998 the Swedish parliament decided on a new regional policy instrument - the regional growth agreements (RGAs). The government bill "Regional tillväxt – för arbete och välfärd" (Regional Growth – for Work and Welfare; Proposition 1997/98:62) put forward the idea of a regionally based approach to development spending. Hereby, all relevant actors, which can contribute to development spending, are invited to work together for the common goal of positive regional development in the county. These actors (can) include: different sectoral state authorities from national and regional level, representatives from county councils and municipalities as well as private actors. Additionally, possible EU funds are put into the county's 'development capital'. These growth agreements are a new attempt to co-

ordinate resources for development over different sectors and administrative levels for a more effective use of available finances and to increase the region's influence on how resources are used on a long-term perspective.

It will be difficult to show the proposed development capital for the specific DORA study areas, as they are part of different counties and, hence, apply for project funding at differently sized development capitals. Another problem is that taking advantage of the development capital lies in the hands of each municipality. Therefore, it is not possible to predict which municipality will receive money, especially if the growth agreements came into use with the year 2000. Consequently, the data presented here, will give an impression about how much money is available for development in the different counties and which of the study areas are able to apply for which pot. Since some of the financial plans of the RGAs are not completely fixed for the forthcoming years showing only a preliminary budget, the analysis covers expenditures for budget year 2000, by taking this as the most definite spending.

All municipalities of the study area WPSE, except Aneby, are eligible for projects of Östergötland's regional growth agreement. Table 63 displays the different areas of investment, which were selected as being the main catalyst for economic growth in the county. In terms of budget, the area 'education and competence', aiming to bring labour market needs and educational system closer, is the most important, followed by expenditures in supporting new and already existing enterprises in the county.

In national terms, the SE Sweden is not considered a typical receptor of public investments, quite the opposite, the region has traditionally been known as an economic independent region ('it stays on their own feet'). Interviewees, specially established entrepreneurs in WPSE, seem not to expect any help from the public institutions (see citations below). Although in both study areas, interviewees declare to be part of numerous programmes/projects supported by the EU, it is in LWPSE area that entrepreneurs seem to be more dependent of public funding with regard to business start-ups (see citation below).

The private people mean 90 to 99 per cent for economic development. The municipality hasn't done a great deal. SAAB Industry used to manufacture airplanes here before, but stopped about one and a half years ago, so that now their plants are used as a kind of industrial hotel. There are four companies leasing there. So that now the municipality has come round, but that is because they want to get some kind of rental money. They have at least contributed, one could say. **What kinds of companies are they?** Subcontractors to various companies. **Do you believe that regional politics have encouraged private investments in a visionary way?** Yes, the municipality has tried to be a part of these EU contributions. There have been incredibly many occasions to apply for EU contributions (Journalist, WPSE).

I have received support from the rural committees. They have given me help and some financial support is a must, to be able to start anything (Entrepreneur, LWPSE).

We work actively with this in several ways. One of them is to go further to the county authority, which supports this area when it comes to investments. A rural committee support can amount to up to 20 per cent of the investment. That is support. There are other supports. I sponsor certain projects and am in turn supported by the regional politicians. It is very difficult to point to what this affects. However, I experience the effects of this. There is also a lot of other help in the various projects. For example, the Help Export Project. The product mixers and so on. Regional politics have made certain investments feasible. Roads and equipment and so on. There is the other support, which I mentioned (Public official, WPSE).

We want to be competitively neutral, that is if you have an allowance to a factory, then everyone must have the same prerequisites, independent of whether you are a part of the regionally politically supported area or not. Otherwise the competition will be distorted.... One knows that the raw materials exist and will cost. Vis a vis national politics about energy sources -- one is to use wood to produce energy. Forestry production to produce energy will get their contribution, but not for other uses. "Unfair competition" is what he means. Taxes on the environment push up the prices of raw materials. If one closes the nuclear power plants and doesn't use oil, then we will use more primary materials in the country to heat our furnaces and "one can forget all the saw mills and pulp mills". I feel that it will be cheaper to produce in Eastern Germany or in the Baltic region instead of in Sweden. Personally I despise all forms of grants and contributions, as far as I am concerned, they can take it all away (Entrepreneur, WPSE).

4.1.5. Economic structure and organisation

Economic structure and organization deals with the way economic activities, production processes and enterprises are organized and how they interact. Economic structure and

organization influences employment opportunities/constraints for the local population and the prevailing trends.

The analysis of economic structures and organization provides insights into the following: the structure and evolution of employment by sectors and branches (clusters) of economic activities; the mix of branches diversification/specialisation and intersectoral relationships (linkages) in the local economy; the structure and evolution of enterprises (size, branches – origin, ownership, degree of integration local national, international markets), and the social formation of production.

- Structure and evolution of employment by sectors of economic activities

For a long period of time, the region of study was predominantly an agrarian area characterised by small-scale (stock-) farming often combined with other forms of employment like forestry. In the 18th century, the exploitation of the woodland intensified as a result of a growing paper and furniture industry in the region and nowadays, the timber supply per hectare is one of the highest in the country. One important fact is that the majority of the forest area, i.e. about 70 percent, is privately owned. Nowadays, the region's socio-economic structure is characterised by a dependence upon primary and secondary sectors (agriculture, forestry and manufacturing industry) while other types of industry and the private service sector are underrepresented compared to Sweden as a whole. The manufacturing sector receives a strong contribution of forestry and timber industry. Sawmills, pulp mills, the paper industry, factories for wooden houses have become the backbone of the regional economy during several decades.

Even though it has diminished in size since the 1980's, the manufacturing as well as health and social care have been more important in terms of employment in Southeast Sweden than in the country as a whole. Other branches such as trade and communication, R&D, building maintenance and enterprise services, private and culture services, building industry are smaller in terms of occupation than the average for Sweden. Figure 42 shows the importance of each sector for the Local Labour Market Areas – LLM's⁴⁹ that comprehend the Southeast Sweden region.

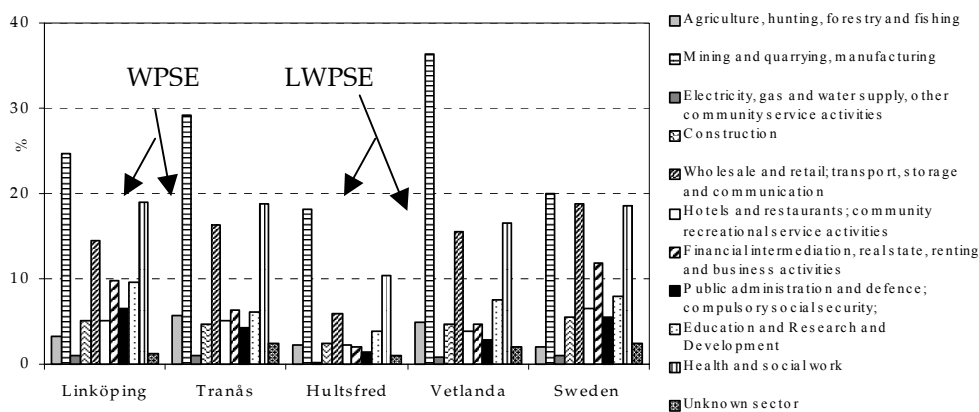


Figure 42 Employment by sector 1996 for SE's LLMs.

As in many other parts of Sweden, the public sector and most traditional activities such as agriculture, forestry, mining, faced rationalisation during the 1980-1990's, structural changes

⁴⁹ Local Labour Market (LLM) can be understood as synonymous to place of production. Thus, LLM areas constitute an excellent indicator of the region's economic performance, since they indicate the extension of the area in which businesses use to recruit labour force but also, and most importantly, they reflect the regional production environment that differ widely within Sweden. Sweden can be divided in approximately one hundred local labour markets (LLM). LLM are geographical units defined based on the most predominant patterns of commuting flows among neighbouring municipalities. This means that smaller municipalities are generally aggregated into a larger region, composing a labour market area. In other words, LLM can be understood as "a spatial expansion of supply and demand of labour force" (SCB, 1992; p. 13), a kind of "economic footprint".

that often led to unemployment. But how does the study areas as a whole react towards the recession years in the 1990's?

Table 72 The shift share analysis for Southeast Sweden (%)

	Actual change	Predicted change	Differential component
WPSE	-19,73	-18,76	-0,97
LWPSE	-22,56	-12,20	5,28

Findings from the shift share analysis (Table 72) show that the employment reduction for both SE areas is due the negative national trend during the 1990's. The predicted employment change in the WPSE area is similar to the actual one. Here, the employment structure seems to be more problematic (it has the worst structural/industrial component: -4,02), maybe it had branches of economic activity that didn't manage to adjust to the new needs and conditions and this fact aggravated the negative national trend. But this is the only area that doesn't seem to have a negative local environment (differential component close to zero). This can be explained by the fact that despite the recession, the sectors of agriculture and forestry that dominate this area is the one, that still employs a large share of the labour force (the percentage of occupation was twice as large as the country as a whole). This is especially true for those rural municipalities, where the percentage of employment in these sectors varies between 10 to 15 percent.

The LWPSE area, suffers not only by a not favourable industrial structure (-2,5) but also by constraining local context (-5,3). Nine out of ten sectors have decreased the total number of employed persons during 1990's in the LWPSE. The large losses were concentrated in non-specified sectors, agriculture, construction sector, manufacturing, and forestry. The sector including hotels and restaurants/community recreational service activities was the exception, having an increase of 9 per cent since 1990.

- Mix of branches and linkages in the local economy

The initial hypothesis here was that a more diversified local context (presence of different branches of economic activities in the area) positively influences economic performance as it forms the base for stronger linkages and economic embeddedness. Thus, it could be expected that high specialization makes local economy more vulnerable to structural change and global trends but it also creates a set of positive elements related to the spatial concentration of interdependent activities (proximity) that may lead to economic dynamism through *localised learning*. One way to verify the degree of economic specialisation/diversification in the DORA study areas was by looking at its spatial distribution using spatial statistical measures (Ceccato and Persson, 2001).⁵⁰

As pointed out before, findings from Ceccato and Persson (2001) show that the DORA study areas are in different degrees included in most of the clusters of traditional branches found - but not in an uniform way. Well performing areas tend to be often included in clusters composed of traditional private business, specially SE Sweden, while lagging areas tend to be part of clusters in which the public sector (State, county or municipality) is responsible for most of employment. In general terms, one can argue that the relatively better performance of SE Sweden (in comparison to North Sweden) corroborates to the hypothesis that suggests that SE region would perform better than North Sweden since the region is located more strategically in relation to central power and in relation to Europe but because the region contains the previously mentioned factors that lead to the advantages with spatial agglomeration as pointed out by Maskell (1998). These results lend weight to the argument that (even though partially) lagging areas would be more dependent upon public sector than the leading ones. Of ten private traditional industrial branches, seven included clusters of municipalities of well performing areas (partially or totally). Seven out of nine public

⁵⁰ See North Sweden region, section 3.1.5 for methodological details.

financed branches are composed of clusters of municipalities regarded as less well performing areas.

Several traditional branches tend to be clustered either over the leading areas or the lagging ones, suggesting a clear pattern of specialisation also at study area's level. The typical examples are the branches of Iron and steelworks and furniture-diverse industry in WPSE, Aluminium industry, manufacturing and metal industry in LWPSE.

The modern knowledge-based sectors are still in the beginning of its product cycle and, thus, most of the robust clusters are still concentrated in the main core areas of Sweden (Stockholm, Gothenburg and Malmö) but, in several cases, also in other larger urban areas. Four modern branches out of sixteen include *partially* the SE study areas. They involve service firms for computers and office machines, universities/institutions with post secondary courses. Modern clusters include only partially the areas of SE, which shows the region's peripheral place in relation to the main large centres, where these clusters have set their core. One-two clusters involve partially the municipalities of LWPSE. These municipalities do not have universities but they often import courses at post-secondary level from the regional universities. This common practice among lagging municipalities may explain the engagement of labour force in teaching and R&D locally. Hultsfred may be a good example of this practice.

Can you talk a bit about industry's composition - what are the leading companies and branches? The largest company is Forstads AB, which presses wood for the furniture industry and makes speakers. They don't make finished products but make parts. Otherwise, a great deal of the industry is based upon the wood industry. Saw mills, furniture companies and institute, the deciduous Institute that researches on uses of the deciduous trees. About 20 – 22 per cent of the population works within the industry. Activities have progressed quite well for most of these industries during the past two years; this is for the entire country. A great change is noticeable. About 7 -8 years ago there were quite a few worries. There were no shut downs, but viability was a problem (Public official, WPSE).

Basically, there are wood products, paper mills, saw works, chipboard factories and some furniture manufacturing here. We have a music park. The music branch and small budding from advertising and IT. Are the companies owned locally? No, that is a bit negative. MODO is owned from the outside, and so is IKEA. On the other hand, the municipality owns Bergs. In the new branch it is Hultsfred. There are not many subcontractors... The battery factory was a typical subcontractor, but they disappeared. One often supplies goods to companies, but one isn't necessarily a subcontractor. Their amounts have been reduced (Public official, LWPSE).

There are some larger ones, such as Dalagårds, Hallins workshops, Valtkvist workshops, Huskvarna, Vätternpotatoes. Those have about 75 - 100 employees. Then there are quite a large number of small companies. The owners of Hallins live in Tranås and Linköping. The owner of Vättern Wash lives here. **How is business faring - up or down?** Now it is rising. All the above companies are booming (Journalist, WPSE).

There are very many companies within the workshop industry. Steel. There are many who process aluminium, and they are also subcontractors (Entrepreneur, LWPSE)

Have the ladies heard about the Hultsfreds Festival ? I am not keen on the music, but realise the value of the musical festival. The Festival put our municipality's name on the world map. The Rockparty Union runs the Festival and have bought the building Metropol, where people are even educated within IT. I am a bit critical to using IT, to solve all the problems. IT cannot hammer a nail to build a house. It is an administrative tool. The Rockparty Union is a fine school and a breeding ground for that. People have been trained for call centres. It is a magnet that attracts younger people. The problem for a municipality such as ours is that as soon as one has finished school or gymnasium, one disappears never to return again. That's where Metropol could play an important role in giving these people modern possibilities. Then we must get a university training program in administering musical arrangements. The man who runs Rockparty is self-taught, and began at the age of 15. The best thing he told me was that when they didn't get the financing when they needed it, they were forced to solve it on their own, with out contributions of any kind (Local organisation, LWPSE).

The mill was built on steel and wood. The only new part that's come since then is Transnorm. In rough estimates, there are large and small businesses. If you use the EU's classification system it is a large company. It is very much a workshop. There is even a great deal of wood. Some are in the white-collar sector. We have 2 large branches and 4 leading companies, Transnorm, Systems AB and Boxholm Steel and Fundia, and Boxholms saw works. About the owners. Two of the companies are transport systems and owned by a German company, although I don't know where the owners are. Fundia is a larger company in Finland. Boxholm saw works is part of the Rörviksgruppen and Boxholms Steel. The owners live here (Citizen, WPSE)

There aren't many new companies in our branches... There are a few shops that work with selling computers. We have a consultant company, KTU. They work with service. That is wood exchange, but it is difficult to get payment for this. The results are rather discouraging. Steel has had some problems, but there seems to be a change for the better now. There are considerable ups and downs in that branch. Transnorm is also experiencing a boom the whole time (Public official, WPSE).

A major study done in the seventies showed that the timber industry was completely dominant for 50 per cent of those who lived in the municipality. The municipality was dependent on this. Today it is important, but people are not as dependent. During my time, we worked with industry to get away from dependency on timber. At that time, everything was done manually, now the processes are handled mechanically. At that time the battery factory was founded. The farming society was abandoned and we entered the industrial society. This is where the weight of today's society lies, although we are entering other sectors. The services sector and music. At the end of the eighties, people began to talk about the computer as a saviour for the rural areas, but we realised that things weren't that easy. I completed the seven-year folk school, but now about 90 per cent of the young people finish gymnasium and are educated to professions, which aren't available in this municipality. Of course, some of the professions are found within the municipal sector. Some people continue with university studies and then they are gone forever. We have learned to live with this (Former politician, LWPSE).

- Social formation of production

In the region there are a large number of small and medium size enterprises. Many of these are suppliers to larger enterprises, which means that the level of direct export in the region is relatively limited. However, since most firms are subcontractors to expanding corporations, the exposure to international competition is still high.

Regional statistics indicate that the Southeast area has a larger number of work places with fewer employees than the whole country. This is especially clear within the manufacturing industry, in which 70 per cent of the employees are linked to work places with less than 200 employees while the country's average is 49 per cent. It is believed that the existence of many enterprises with few employees is responsible for the lower income levels found in the region in comparison with the average for the whole country. About 66 per cent of the labour force had in 1998 an income less than SEK 200 thousand a year while, for the whole of Sweden, this bracket included 59 per cent of the total labour force.

Business start-ups in the region are similar to the average for Sweden (Table 73), but the LWPSE are performing slightly better than the WPSE. Business closures have been also higher in the LWPSE (316 in 1994 and 139 in 1996) than the WPSE (15 and 52, respectively). However, the WPSE seem to have a more constant pattern that reached 30 in 1999 while the LWPSE follows a decreasing trend, 19 in 1999 (SCB, 2001).

Table 73 Business start-ups (Average for 92-96 and 96-98 - enterprises per 1000 inhabitants)

	WPSE	LWPSE	Southeast region ¹	Sweden
1992-1996	8.2	9.6	9.4 ⁴	8.9
1996-1998	9.6	10.6	8.5	9.3

How are the local companies oriented to the local, national and international markets? They are not oriented at all to the local market. They are mostly oriented to the national market and to the international market (Citizen, WPSE).

The manufacturing companies have customers far outside municipal boundaries. Most of them have national customers and some have export (Public official, LWPSE).

Mostly, the business is Sweden, I would say (Local Organisation, WPSE).

The larger industries are definitely directed towards the international market, for example the saw works, which I imagine exports 70 - 80 per cent of their production. But I don't believe that any of the smaller companies have a large international market (Public official, WPSE).

What are the positive and negative sides in this area? You could say the positive thing is the labour force. There is a labour force that stays put and that doesn't go on sick leave very much. Then, of course, the statistics on sick leave done by surveys aren't always correct, but it is lower here than in other regions. WE have a faithful work force. The negative thing is that we don't have a larger market (Entrepreneur, WPSE).

No, there is no direct disadvantage. There are only advantages. However, it may be a disadvantage to be in a little community if one is not known. They have good transport possibilities. But no airport. The closest airport is to be found in Jönköping (Journalist, WPSE).

There is a vast distance between the larger cities, to distribute products. Particularly for me. You have to have a certain customer basis in order to employ people, and you have to include certain larger cities, you know, and take what comes. Those who work in Oskarshamn, Västervik and Vimmerby, that's about 240 kilometres. That means that between Hultsfred and Oskarshamn there is a distance of 60 kilometres, and there may only be one shape, and between the two towns, and that Oskarshamn should pay for the stretch of driving by finding a market for their products... And between Oskarshamn and Västervik, there is practically nothing, there is only forest and coastline. These are the towns that will have to pay for the 72 kilometres, where there isn't any stop, or shop to deliver to. This is more than a little problematical, as long as I have to

distribute myself (Entrepreneur, LWPSE).

You won't find any wider customer basis here. If you are looking for subcontractors, you'll have to find them elsewhere. Were not dependent on them in this community (Entrepreneur, WPSE).

If you look at our branch within industry, you'll find that industry is a tradition here in Vetlanda. A great number of people are employed within industry. And a disadvantage at present is that it is very difficult indeed to get hold of labour. It is almost impossible. Not only that, to get qualified labour. Then you might well say, what is disadvantageous for every area is that our youngsters leave and educate themselves in other places. They make contacts in the new places and have a very hard time finding their way back home again (Entrepreneur, LWPSE).

4.1.6. Institutions

'Institutions' here refers mainly to public sector institutions, specifically to states, government and governance in the local arena, within the framework of the EU. It is seeking to get at the ways in which activities of different levels and layers of government facilitate or hinder local economic development, especially, but not only, in relation to the private sector and community initiatives.

The basic hypothesis is that by bringing government closer to the people governance can be made more responsive and effective. In this study, this was assessed through three basic attributes: Institutional autonomy; institutional co-operation; and, Institutional responsiveness and efficiency.

- Institutional autonomy

The hypothesis is that the greater the autonomy, the more likely it is that there will be positive impacts on local development. The issue here is the degree of freedom which local institutions have to act in the interests of the people of that area.

As pointed out in chapter 3 (North Sweden), although the Swedish political system is decentralised allowing public institutions room for action, the way each policy measure is implemented locally may vary in accordance to the politicians' interests and ideology. Some areas tend to have institutions that are more efficient in giving 'voice' to local actors' needs than others, and this may be crucial to its economic performance.

Among the interviewees, the large majority believes that the local business would cope better if the municipality had more power than it has today, regardless of the study area (see citations below). The main argument is that the municipality has had a bit more influence when it comes to assessing what is possible and what isn't, or 'One can also support people in other ways that are at least as important as money', and therefore, would better apply resources locally.

Surprisingly several interviewees in the WPSE area were more critical in giving more power to local actors. They pointed out the danger of being too close the reality (people may skip the rules), or having a small group judging what to do with the economic support and whom should get it.

Do you believe that the economy in this municipality would be better if the municipal government instead of the state had greater autonomy? Well, not really. It is difficult to keep a distance to things when you're there, locally. There are rules to be applied. Actually, I don't know. One would desire that the municipality had a bit more influence when it comes to assessing what is possible and what isn't. What I don't like is the situation that arises when you assess whether to give the rural area economic support, that you don't give support to the companies that work in a local market. A lack of money makes us restrict things (WPSE, Public official).

Yes, it depends on whether there is a good leadership in the municipality. It all depends on the municipal politicians and civil servants (Journalist, WPSE).

I believe so. Certain questions, I believe, can be solved at the municipal level much more efficiently. I am also conscious of the fact that certain issues must be decided by the national government. There is a holistic thinking in Sweden. But sometimes, I think that this simplifies things a bit much (Politician, WPSE).

That is possible, that is possible... One could have a bit more freedom. There are certain hopes that are locked by the

municipalities, and certainly it isn't always the municipality that has the possibilities that the state has. A more decentralised mode of thinking is in order here (Public Official, LWPSE).

Yes, I believe so. I think only if these things are as close as possible, the money and the resources, for example, the society of credit guarantee. One can also support people in other ways that are at least as important as money (Public official, LWPSE).

We have a regional parliament where we strive to centralise Kalmar, Oskarshamn, and many other municipalities such as Hultsfred. **Does this work better or worse than the county administrative board?** I think that it is neither better nor worse. The regional parliament covers the entire Kalmar region, but after a while, one sees where the money goes, that is my opinion (Public official, LWPSE).

There will always be some bureaucracy... but they manage to do much any way. "If someone wants to start a business, don't make things complicated, build it up first, and we will solve the paperwork later". They have become better at this. Then there are other issues about which I could express myself vehemently 100 per cent (Entrepreneur, LWPSE).

- Institutional co-operation

The initial hypothesis was that, given institutional structures, which give 'voice' to local actors in defining and revising a common purpose, the public organisations are likely to be more effective and efficient in achieving that purpose if they co-operate than if they do not.

In the independent survey performed by SAF (1999), entrepreneurs and politicians were asked their opinion about how well local networks were promoted by the municipalities to support local businesses/entrepreneurs (Figure 43). Politicians evaluated the municipality efficiency in promoting networks more highly than entrepreneurs. The average is slightly lower for the LWPSE area among entrepreneurs than for the WPSE area. In general, they judge the municipality's efficiency as acceptable (the exception is in Vetlanda); the highest average was found in Aneby (WPSE) and the lowest in Vetlanda (LWPSE).

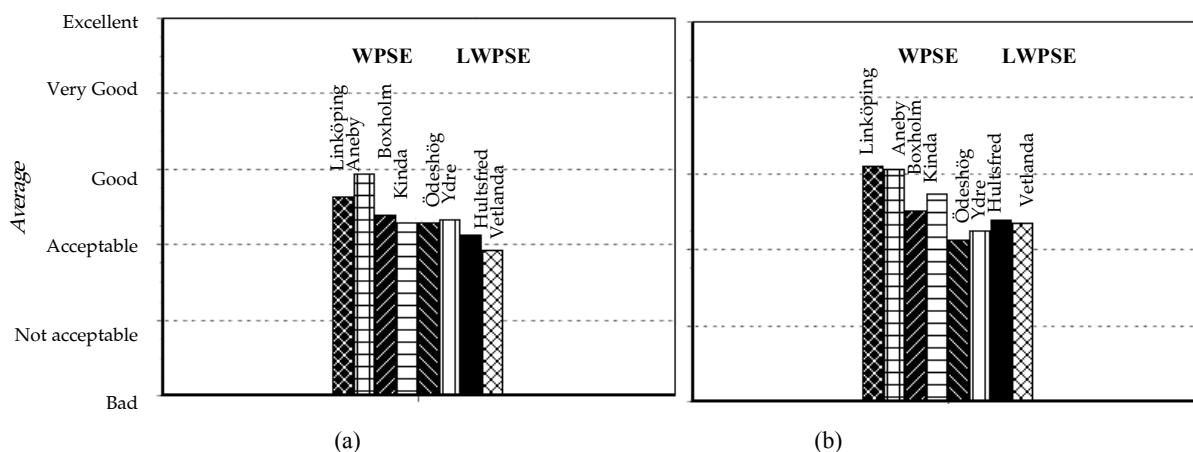


Figure 43 'Networks' promoted for entrepreneurs in the municipality according to entrepreneurs (a) and municipal politicians (b), 1999.

Source: SAF, Företagarenkät SAF/Demoskop

Besides the common local organisations composed of groups of interests (see, section 4.1.8 on 'networks'), all study areas have local organisations or networks supporting contact between different local actors, such as politicians, entrepreneurs, employment service agency, local groups and citizens (as part of EU policies). Interviewees in the WPSE are often more content with the co-operation between local actors (see citations below) than in the LWPSE. In the LWPSE, conflicts between parts of a municipality and the main political urban core create situations where two different types of organisations (business organisations) co-exist in the same municipality.

The Labour agency and the municipality work very much together as regards the development of jobs and occupations and company development. We have the companies interest organisations. Those, which are established here. The organisations have their offices here and their personnel here and it works well. To some extent it can be the national health insurance (Politician, WPSE).

There is some co-operation, but I can't answer the question (Public official, LWPSE).

The labour agency is a very important partner with the municipality. There is very good co-operation between several public organisations. However, if one looks at the economic trends long range one will see a very good co-operation among the National Health Insurance and the National Labour Agency and the municipality (Politician, WPSE).

Hultsfred and Virserum have a long tradition of being municipal units... (they were two independent municipalities until the 1970's, nowadays Virserum belongs to Hultsfred) there is a certain antagonism between Hultsfred and Virserum there are certain things that just remain, I believe. It is difficult to get rid of certain attitudes... many experience Hultsfred attracting all the attention while Målunda and Virserum and the others are forgotten today. I think that it is getting better, actually, many times it isn't fair, people in general make unfair judgements... But I believe that Virserum had to keep certain things in order to function. I mean the dentists, the schools the medical surgeries, things that people want (Entrepreneur, LWPSE).

- Institutional responsiveness and efficiency

The hypothesis was that the more open and accessible the policy process, and the more that process influences choice of priorities by public bodies, the better it is likely to be for local economic development. Here is the issue of responsiveness by looking at particular services, which institutions provide, and how well these are provided (efficiency). Thus, efficient public institutions are a necessary component in local economic performance. One good indicator of institutional responsiveness and efficiency is how local actors perceive municipal rules and bureaucracy.

Figure 44 illustrates the perception of entrepreneurs and politicians of the municipal rules and bureaucracy according to SAF survey in 1999. In comparison with the whole of Sweden, entrepreneurs in all DORA study areas (and Linköping, a Southeast Sweden large urban centre) perceive the local government as bureaucratic, or at least the municipalities' rules overcome the levels of acceptance. But there are differences between entrepreneurs and politicians. Politicians judge more positively the existence of municipal rules (the exception is Ödeshög) than entrepreneurs, in general. These findings also confirm the perceived need for more (institutional) autonomy, not only of the municipalities but other local institutions, regardless the study area. Among the interviewees, people in WPSE seem to be more understandable towards the politicians and civil servants role than in the LWPSE (see citations below).

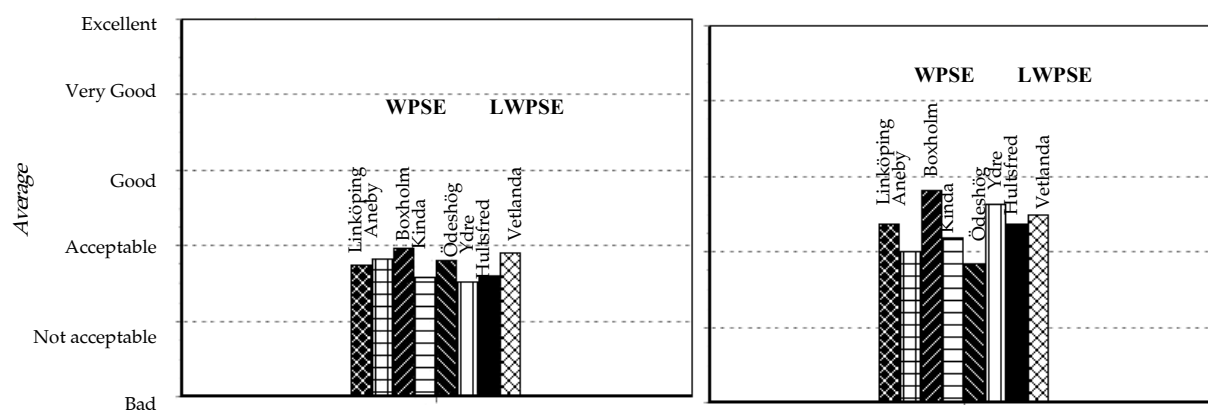


Figure 44 The perceived municipal rules and bureaucracy according to entrepreneurs (a) and municipal politicians (b), 1999.

Source: SAF, Företagarenkät, SAF/Demoskop.

How effective is the municipality's activities in relationship to the local wants and needs?

To a large extent they are. The practical works well. And care for the elderly works well. It is much better than in a larger municipality, that's for sure (Entrepreneur, WPSE).

They don't listen to us very much. "It is I who decide here", they say (Local association, LWPSE).

Well, no. I believe that they are average. They have their regulations. They work hard to get companies here, but they are really in the hands of the national government (Entrepreneur, WPSE).

The municipality is probably equal. The municipality does what it has to and what is demanded of it. Sometimes one

wonders about the efficiency. Once a commission made a decision and then reversed it (a sports prize). People's faith in the commission disappeared. The civil servants are pretty good. On the other hand, the leadership of the municipality seems to have a rather dictatorial attitude. The Municipal council leads and decides everything, and that is not right, others who are good are needed (Entrepreneur-local organisation, LWPSE).

4.1.7. Market performance

The basic assumption in this analysis is that inefficiencies in the market performance (focus on market failures) tend to increase cost of production, affect the area's competitiveness and influence negatively economic performance and growth. Market inefficiencies constrain also the efficient allocation of factors of production in the production process and may result in higher costs or lower levels of production and generally influence economic performance negatively.

- The capital market performance

Local business access to "financing for investment undertaking" is a key component of capital market performance. Lack of access to it constrains economic activity and economic performance in the area.

As presented in section 4.1.4, investments, WPSE areas received in general more financial support than the LWPSE areas. It seems also that more money is spent in the WPSE areas in measures to stimulate businesses and new start-ups (see, for instance, Östergötland's RGA).

- Natural resources market performance

Priorities on environmental protection and bio-diversity have increased environmental regulations and have affected natural resources uses and practices (protected areas, agro-environmental practices, environmental impact assessment of investments). This could be perceived as a limiting factor for the development of the local economy. How do interviewees perceive that?

Regardless the study area, protection of natural areas is not perceived by the interviewees as a factor that limits economic development, quite the opposite, they believe they constitute in general terms, an element of attraction in the area. However, they understand that there are activities that somehow are more or less dependent on the environmental laws, such as agriculture and forestry (see citations below).

How large is the conservation area in the municipality? I really cannot say exactly how great the area is, but there is quite a bit of territory that is protected. **Do these conservation areas prevent the development of local business in any way?** No, I don't believe so. **Do you feel that environmental regulation hinders or promotes local business development?** We do have a problem in that a couple of weeks ago our local paper mill applied to the environmental law court for rights to increase production. We haven't heard the results yet. This may turn out to be limiting. However, there are almost always solutions to problems. **Do you feel that the environmental standards are a problem vis à vis effective handling of trade in the area?** No. I think that one can find solutions (Politician, WPSE).

How large is the conservation area in the municipality? Not to a great extent. There is nothing that prevents economic progress. It's only a question of finding the right way, for example, in Emån so that the standards become assets and not impediments. Among other things, we have cleaned up a lake, at a cost of 10 million SEK, to protect Emån. Years of mismanagement have had to be dealt with (Public official, LWPSE).

How much of the region consists of natural resources, and do they halt economic development? I would rather maintain that it is a question of resources. For example, Ekenberga nature reserve in the southern region, which I happened to visit last year. It is fun to go around and listen and look. At Omberg there are several nature reserves and between Boet and Ödeshög you'll find a primeval forest - such things are very good. There is plenty of territory that can still be phased out. **Do you feel that environmental legislation arrests or promotes the local economic development?** It doesn't prevent development. It is good on the whole. Even if it stops some development it has to be done to protect the natural environment interests. (Citizen, WPSE).

How much of the region is protected natural environment and does this arrest economic development? I don't know how large the area is, but there are some areas. The areas don't stop development but can in fact, be seen as a resource, because they heighten the quality of life, there are wild orchids growing and other things, for example Emån. **Do you think that that labour environment legislation arrests or promotes the local economic development?** In the short run, you will see that some incomes are decreased and so on, but in the long run it is good. It is rather expensive for businesses with all the costs and fees incurred (Public official, LWPSE).

How much of the region is conservation protected? I cannot really tell you the size, but certainly a great part of it is protected. **Do you think that this keeps back economic development in the area?** No, I don't believe so. **Do you think that environmental protection legislation halts or promotes local business development?** It varies quite a bit. It depends. If you look at things in general, I don't think so. **How do the farmers react to the demands placed upon them so that they are eligible to receive environmental allowances?** That is a sticky question indeed. There is the forestry legislation, which is logical. If you fell the forest, you will have to make sure that it will grow back (Local organisation, WPSE).

- Market of good and services

One aspect that most interviewees define as one of the largest disadvantages of their area was their location, that is to say, long distances to the main centres (also magnified by lacking infrastructure and communication), consumers and producers, labour force, small consumer basis.

Regardless of the areas of study, interviewees declare that the small consumer basis (*små kund underlag*) is a factor that contributes negatively to the region's competitiveness (see citations below). However, the LWPSE area seems to be perceived much more as a peripheral area than the WPSE. The fact that the WPSE area has a direct connection to the international road (E4) plays an important role, according to interviewees. Besides, even though the Swedish system covers part of these cost differences, this still implies higher transportation cost for goods and services produced. Higher costs reduce relative competitiveness of the markets and influence negatively economic performances.

What are the greatest disadvantages of having Ödeshög as a market for goods and services? Well, there are no direct disadvantages. There are only advantages. On the other hand, being an unknown smaller community may be a disadvantage. They have good transportation opportunities. However, there is no airport. The closest airport lies in Jönköping. There are no trains that pass this area either (Citizen, WPSE).

We're not exactly on the "route:" We are part of the forgotten Sweden. This is what the businesses are fighting hard for (Public official, school leader, LWPSE).

I can of course imagine this, considering that it is close to Mjölby, Linköping and Motala. However, obviously, as far as the consumers are concerned, it is very easy to do your shopping somewhere else. If you look for subcontractors, you can always find them too - elsewhere. You are not dependent upon having them in this area (Entrepreneur, WPSE).

I have a hard time seeing any disadvantages. Transportation and accessibility to customers is good, although the roads could be better (Public official, - business relation responsible, LWPSE).

Disadvantages? The disadvantage is not being close to a larger market. There is good communication. As far as communication goes, during the late 80's and in the beginning of the 90's it was disadvantageous. During the past few years, it has become more stationary owing to the poor quality of the roadways. It is really terrible how the road network has deteriorated during the 90's. We have had several meetings with industries and with the National Road Administration, and we maintain that one hardly dares drive on the roads. The prices within trade and the freight branches are what they are really talking about. **What are the positive things in these areas?** You can say that the labour force is positive. There is a labour force that is loyal, that doesn't go on sick leave very much. Of course, the statistics written about sick leave, in the reports don't always prove true, but it is lower here than in other regions. We have a loyal and faithful work force here. (Politician, WPSE).

Yes, it's all about what we do, isn't it?... But there is nothing that can be done about it, except that it has stopped all kinds of things, for example, the airport... Certain deliveries that you have to get quickly, well, you cannot be sure that you will get them here quickly, as you would in a larger city... So there are things like this, which may be (brief laughter) a bit irritating. What are the shortcomings? Is it the roads or what?? It is the large urban-based companies' attitudes to us in the smaller communities. That is a shortcoming. It is difficult to be heard, quite simply. We are not worse off than other companies that are in a larger urban area, that can happen here too, sometimes... (Entrepreneur, LWPSE).

What are the greatest disadvantages with this region as a market? They need to export products so that they receive an income. **What are the advantages?** The proximity to each other (Entrepreneur, WPSE).

The domestic market in this area doesn't have the array of goods that are found in the cities and larger communities. This is what I call a rural municipality. This is a small area and it may not be very easy to market the stores, and get people to come here to do their shopping. We have a shortage of things here, there are no automobile dealers, and one has to travel to another region to buy a car... (Entrepreneur, LWPSE).

We are a sparsely populated and have a rather low income. However, we even have the somewhat larger communities close by, which are markets for us, such as Kalmar, Jönköping, Linköping, Norrköping. It is about 100 kilometres to the closest market (Public official, LWPSE).

4.1.8. Networks

Two types of networks are assessed: the formal and informal ones. Emphasis is also given to the so-called internal and external networks; that is to say, internal networks are those that take place between any group of individuals within the local community. External networks, on the other hand, relate to those involving a process of information and exchange between members of the local community and the outside world, whether it is the region, country or the international community. Based on these assumptions, our initial hypothesis was that “strong, efficient networking activities, whether spatially proximate or otherwise, within, and between, the various sectors of economy and society aid local economic development through the exchange of information, ideas and the processes of innovation”.

- Local embeddedness

Local embeddedness⁵¹ stays for the extent to which entrepreneurs and local actors are embedded into the social networks of their locality. The initial hypothesis is that strong local embeddedness via the informal social networking activities of owner/managers aids local economic development through the exchange of information, ideas and the processes of innovation.

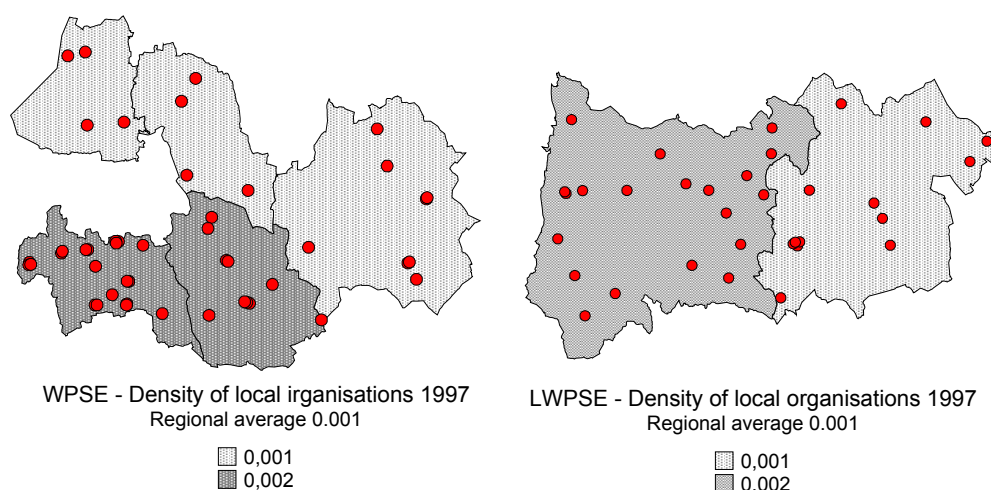


Figure 45 Density of local organisations⁵², organisations/inhabitants 1997.

As in several other parts of Sweden, the municipalities of the Southeast study region are part of the LEADER initiative. The region is organised in three different LAGs. All municipalities of WPSE together with Tranås municipality comprise the LAG-group ‘Sommenbygd’. The group ‘Astrid Lindgrens Hembygd’ includes among other things the northern part of the municipality Hultsfred and, hence, contributes to the development of LWPSE. The southern part of Hultsfred along with Vetlanda and other municipalities is active in the LAG-group ‘FGH – För Gemensam Handling’, which accounts to LWPSE, too.

All study areas have local organisations or networks supporting contact between different local actors, such as politicians, entrepreneurs, employment service agency, local groups and citizens. Figure 45 illustrates the density of local organizations per inhabitant/municipality for the study areas. In the case of Southeast Sweden, there is no evidence that there is a relation between the existence of social networks and economic performance, since the DORA study areas seem to have similar total number of organisations. Regardless of the study area, interviews declare themselves to be aware of the different local networks, and in many cases, they are member of several of these organisations (as entrepreneurs, leisure

⁵¹ Granovetter, M. (1985).

⁵² The database includes only the local organisations that are registered at the Popular Movements Council for Rural Development (Folk rörelserådet).

interests, school, part time politician, church member, etc, see citations below). Interviewees generally point out the advantages of having such close contacts, but they are also highlight that these contacts are not free-of-problems. Interviewees in the LWPSE pointed out often conflicts of interest between these local organisations. Sometimes it has to do with conflicts between the main town and the small villages belonging to the same municipality (such as, distribution of resources or keeping basic services in the small villages, or even conflicts between two different business organisation in the same municipality) or misunderstandings between people dealing with more traditional sectors and the ones that represent the modern branches (e.g., music industry in Hultsfred).

If one looks only at the business organisations (*företagsföreningar*), one might affirm that they may have been the same in terms of total number but they may differ in how they stimulate business, that is to say, they may work differently. One indicator to check for the efficiency of the local business organisation would be the differences in business start-ups between study areas. However, as the figures show (WPSE, 9,6 enterprises per 1000 inhabitants whilst in the LWPSE, 10,6 enterprises per 1000 inhabitants), very little can be said about the differences between the study areas regarding business start-ups – perhaps, that they are performing similarly or that the LWPSE performed slightly better than the WPSE.

Are there informal channels for information between entrepreneurs and the civil servants? Certainly. There's a bit of everybody knowing everybody else here. One reads the job applications and thinks: this is my neighbour, or her son. And so on (Entrepreneur, WPSE).

Conflicts? They exist. They have been happening since the legendary Hults Dacke's time... I believe that if Virserum and Hultsfred had been cities (Hultsfred and Virserum are the larger regions), it might have been ... Then we have Silverdalen and other smaller communities and in a tiny industrial community like ours everyone works in the same company. If one looks at Hultsfred and Virserum, one sees that Hultsfred municipality is divided into two teams, where Virserum is one community, and the central community has been placed at Hultsfred. This is difficult to accept for the people in Virserum, which has been its own municipality. This is a heavy issue we must work with. For example, if we are talking about business, there are two business clubs in the same municipality. It is almost embarrassing, for me, at least. We have tried to begin co-operating, but it's slow moving. That is not good (Local entrepreneur organisation, LWPSE).

Local associations of householders and unions are established everywhere, which may cause problems. Everything is supposed to happen here, subsidised with municipal money - the only funds that are available. The old political guard is on its way out and will be replaced by this. Old political paradigms do not hold any more. Politics are steered by the mass media, by people such as Gudrun Schyman (Leftist Party) and others. However, the local associations of householders work well if they are managed correctly. Local initiatives accomplish more with lesser funds. The municipality cannot say no to assistance offered regionally. Local initiative has replaced regulations with local political parties among other things. What interests the private person most of all will always be local matters (Former municipal politician, LWPSE).

Yes, The meeting place is, for example *Metropol* Building. There are many informal channels, from taking a sauna together in the clubhouse, to going to association meetings. I am a great believer in economic development (Public official, LWPSE).

Yes, lots. All the unions, the churches and neighbours, we are there everyone (Public official, WPSE).

Yes, we are working with the Local Development Centre - LDC - which I am a part of. We will work with such things, co-operate with the schools and the municipality (Public organisation, LWPSE).

Isn't it true that there are not many companies here? I cannot really say that we have much contact with (another company) that one should have. We have discussed this, of course, that we ought to have closer contact among those that are here. What I understand about this municipality is that you can just lift the receiver and phone directly to them. It needn't be more remarkable. And sometimes someone will phone back, or even visit (Entrepreneur, LWPSE).

It happens. Once a month there is a lunch where everyone is invited. It's the business associations, which arrange these luncheons. What we have there is the possibility for an informal exchange. This mostly happens among the businesses, but even among the civil servants. Yes, I think that my formal contacts... even if one has formal relations in a company association, it is relatively informal anyway. In a community like ours, at any rate. I believe this influences business dealings. The same happens in other kinds of associations. We have many associations in our community area (Public official, WPSE).

- Global communications

Regardless of the study areas, interviewees, especially entrepreneurs, state having had contact with other areas/enterprises/countries. For enterprises that are dependent on a local

market, these contacts are outside the limits of the municipalities (this is specially true for the WPSE, see citations below). Among those who have a broader market, the extent and types of these contacts vary; sometimes the contact results in the fact that they are part of a large enterprise that is headed in Stockholm or in another country, or they have most of the clients/subcontractors outside the study area.

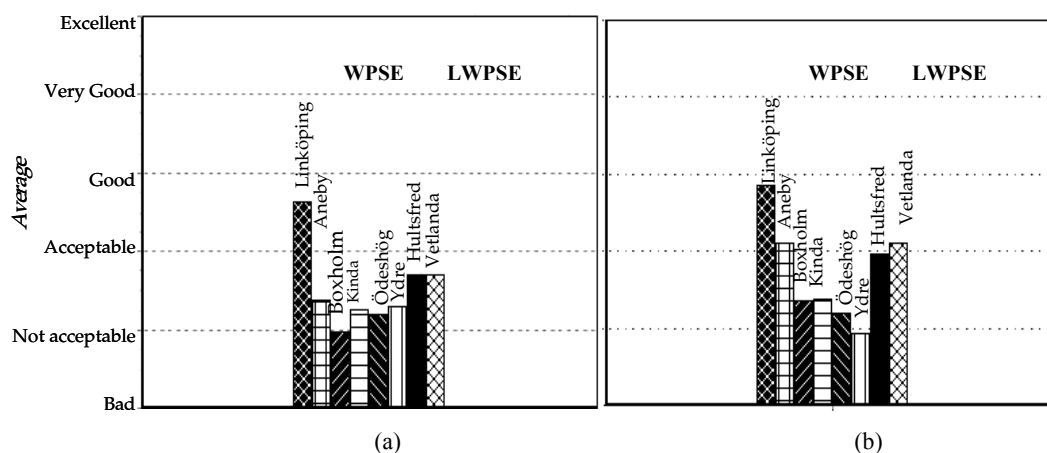


Figure 46 Enterprises' contact with universities in the region according to entrepreneurs (a) and municipal politicians (b), 1999.

Source: SAF, Företagarenkät SAF/Demoskop

When entrepreneurs and politicians judged how well their contact was with universities in the region, the findings from the SAF survey show that those belonging to WPSE area declare themselves to be less satisfied than those in the LWPSE area (Figure 46). This can certainly be explained by the fact that WPSE still has a more traditional economic structure that is less dependent upon knowledge-based services/activities than the LWPSE. The LWPSE shows examples of investments in a music/culture based industry that requires not only more skilled labour force but also an adapted educational infrastructure. As pointed out already section 4.1.2, on 'human resources', a clear co-operation exists between the Kalmar University, the municipality and entrepreneurs to establish university courses in a temporary regime. The same can be said about Vetlanda. Of course, as in other cases, politicians evaluate this connection with universities in the region more highly than entrepreneurs. The 'more positive perception' among politicians may also be related to the fact that politicians are nowadays actively involved in building an educational infrastructure locally which has not yet impacted on the entrepreneurs' demands for labour force. However, it is worth noting that the whole Southeast Sweden assessed their contact with the regional universities as close to unacceptable.

Have you got a more global network? Yes, we do. Because we manufacture such advanced products, we have a great deal of contact with larger industries. Much is affected at this level, it is they who have something to give us (Entrepreneur, LWPSE).

Internationally... I don't know, but on a national scale I know that the network works. One meets one another quite a lot (Politician, WPSE).

We don't have that. Or else it is because of very few international customers. We print signs in other languages and send them to European countries. It isn't the other countries who are our customers (Entrepreneur, WPSE)

The medium-sized companies do it. Businesses that run the festival have even a large international network. Some have manufacturing abroad (Public Official, LWPSE).

We are working with an exporters course. But it is better locally (Entrepreneur, WPSE).

- Information technology and innovation

This variable aims to assess the role of information technology in the networking and innovation process across all sectors of the formal civic community. The initial hypothesis was that ‘formal and informal networking activities, facilitated by the use of information technology, aid local economic development through the exchange of information, ideas and the processes of innovation’.

Little can be said about the use of information technology as an instrument to facilitate network activities in our study areas by looking at figures at county council level. Perhaps, there is some indication that part of the WPSE (Östergötland) has the highest access to computer and Internet, at home and work (Table 74).

Table 74 Access to computer and Internet – home and work 1998 (16-64 aged population)

Study areas	County	Computer home (%)	Access to Internet (%)	Access to Internet/Home (%)	Access to Internet/Work (%)
LWPSE/WPSE	Jönköping	49,7	52,3	26,8	29,7
LWPSE	Kalmar	43,2	51,2	25,3	34,5
WPSE	Östergötland	50,4	58,0	30,5	35,4
	Sweden	52,1	59,1	29,2	38,5

Source: Statskontorets undersökning av Internetanvändning. Tillägsundersökning till AKU maj 1998 med halva AKU urvalet.

At study area levels, all municipalities have homepages, mostly with some basic information in English or German. Information about the EU programs is always available. However, interviewees in LWPSE declare themselves to have contact using information technology more often than the WPSE. Again, this fact may be partially explained by the fact that WPSE still has a more traditional economic structure that is less dependent of knowledge-based services/activities than the LWPSE.

How widespread is the use of Internet in the companies? Well, yes, Internet is quite well established. **Do you use Internet yourself?** No (Museum Curator, WPSE).

We use e-mail extensively for conversation and communicating with other businesses that are not located here (Entrepreneur, LWPSE).

The medium-sized companies use Internet. The businesses that run the Festival have an extensive international network. Some of them have manufacturing in foreign countries (Public Official, LWPSE).

How widespread is Internet and the media here in the local businesses? It is probably very widespread. **Do you use Internet yourself for trade?** No, not for business. It is more like my library. One can find information there and one can look at various things and get price specifications but on the other hand... we never buy on the Internet.

Have you got a web site? Yes! (Entrepreneur, WPSE).

Do you believe that accessibility to Internet will stimulate these relationships? I believe so, to a certain extent. One can get information very rapidly. However, I do believe that it is valuable with meetings in person. I feel that they are much more stimulating. How established is the use of Internet? In the municipality we use it diligently. I am only looking at my own use. It has eased my own situation. I do believe that it is used similarly in other companies as well (Entrepreneur, LWPSE).

Has Internet stimulated a new way of thinking? Not very much as yet, but it will (Entrepreneur, WPSE).

4.1.9. Community

‘Culture’ subsumes here local traditions, identity, values and beliefs, attitudes, religion, history and leadership as well as political beliefs and allegiances. This may act as an ‘invisible hand’ and directly impact on economic performance.

- Forms of community and identity

A more ‘cloudless’ local identity is identified in the WPSE area than in LWPSE. Interviewees living in the WPSE are clearly more confident about their identity. This identity may vary, but always have a local aspect on it. Their local identity has a lot to do with the

traditional label of ‘being a Smålänning/Smålander’, which often stands for ‘capable, hard-working, stingy, creative’, but also for aspects of the basic economic structure, such as, forestry and agriculture, or even, aspects related to the local traditions, such as, the strong perpetuation through generations of the Folk sagas and legends and, of course, nature, that is perceived as part of their quality of life and identity (see citations below).

Is there a feeling of local identity? Yes, absolutely. **How do you identify yourself as a part of this community?** You are central here, although you may live in the countryside. With gardens and flowers. You are close to nature. I usually say that we live a life with high quality. Although one may have less money in one’s purse than others have. But we do have a higher quality of life than many others do (Entrepreneur, WPSE).

Loyal, one who remains on the job? The municipality had a military training base here at the end of the 19th century, but if that has any import today, I can’t answer. The municipality is, however, a railroad crossing, and has been since the early 20th century, which has had great significance for our economy (Public official, LWPSE).

I have felt this, as an inhabitant of Småland province. The Smålanders have never got anything for free. We have always been prepared to drudge and toil for our way of living, and being able to live where we want. We want to maintain what we have. That is why I have the position I do today and try to forge together various authorities and pull them in the same direction (Local entrepreneur organisation, WPSE).

Put a Smålander on a boulder in the sea and he will manage. Another sign of a Smålander is that he only opens his wallet to put money into it... (Local organisation, WPSE).

The local identity here in Virserum (a small village that belongs to Hultsfred, LWPSE) is very strong. There is great contention between Virserum and Hultsfred municipality. Virserum was a trading centre at an early stage and at least 4000 inhabitants lived there, and at today’s date, Hultsfred has, as earlier, 4000 people. Hultsfred doesn’t have the same strong identity, although it is stronger as a municipality. If there is no natural shopping centre in the municipality, people go to another area (Local organisation, LWPSE)

Swedish. Smålander. That means that one is ”capable, hard-working, ”stingy”. I am a good Smålander (Entrepreneur, WPSE)

There is no true ”Hultfreds - dweller”, but there is a Virserum dweller, in the smaller communities. One doesn’t say that one is from Hultsfred, only that it is a place somewhere (Public official, LWPSE).

I am a world citizen. I move around all the time. **Do you have any inkling if there is a strong bonding, a feeling of local identity here?** Yes, there is. I don’t know what to call it. One finds many local activities, theatre, markets and other things. Superstition also keeps people together here too (Consult, WPSE).

There is a rather large portion of local patriotism. This is quite well known. Here in Hultsfred we have the Rock Festival, I don’t know how many years we have held it. In the beginning it wasn’t considered a ”kosher” kind of thing, by those who lived in the community. In hindsight the Festival is a big success and the inhabitants of Hultsfred are very proud of it. I am proud to be a Hultsfred resident nowadays (Entrepreneur, LWPSE).

It has been troublesome to get people to understand that this is a municipality (Hultsfred). Discord has always existed and there hasn’t really been a capital city in the municipality. However, the municipal service extends itself from a larger city, even if it is decentralised (Former politician, LWPSE).

I wouldn’t put a special label on myself. I have lived everywhere in my life. Of course, now I am a ”Boxholmer”. I believe that there exists an immense amount of local identity here. At one time, one was labelled a ”tramper”, that was when the local industry was running and we used to tramp about in wooden clogs (Public official, WPSE).

Culture is the shared meanings exchanged between members of a community. These locally shared meanings and customary practices are inherited from the past; they are traditions. They relate to local history as they represent collective acts of remembering and commemorate historical experiences, which are transformed into action that is relevant in a contemporary context. Any attempt to try to distinguish the importance of these local traditions to economic performance is difficult to make. Below follows a description of the main cultural events related to the traditions of the region by study area.

The landscape in Southeast Sweden is a blend of forest, waterways, lakes, locations with rich ancient finds, and not less, musical and cultural festivals - a good resource for tourism. As pointed out before (section 4.1.1, natural resources), in the WPSE, activities related to tourism seem to be more organised than in the LWPSE – fact that can be regarded as an indicator of better management of these resources (all municipalities had information on the Internet about tourism and most of them in several languages – links to the main local projects towards tourism were also found). Besides the fishing and hiking activities that are

traditional in this area, the yearly summer *Omberg festival* and the *Alvastra Chronicle*⁵³ play are examples of events that are organised based on the natural and cultural-historical traditions of the WPSE. In the WPSE, several interviewees pointed out the need for more hostels and marketing of the area internationally. IT information (Internet) seems to be an effective way to promote their area for tourism (see citations below). The Omberg festival takes place yearly in July, having several attractions related to the local history and legends, such as the Alvastra Chronicle play (Power and Gloria). Myth and reality mix together from pre-historical and medieval time, in a play that takes place in the middle of the night, involving more than 100 amateur actors in different ages. The experience involves selling barracks with traditional food of the region, such as, 'old bread', cheese and a special sausage.

Of course, it would be unfair not to mention the musical festivals in the LWPSE, that is, in Hultsfred municipality. At national level, Hultsfred is well known thanks to the annual *Hultsfred's Musical Festival*⁵⁴, that attracts young people during a weekend during the summer. The festival is organised by a local company (RockyCity) that also promotes culture/music related-industry locally through education and special governmental programs. Also in Hultsfred, there is another cultural event called *Virsserum Music Days*⁵⁵ that attracts people from the surrounding area (Figure 47).

Does IT have an importance for tourism? Yes, to a great degree. Our home page is the most important information site; we put a great deal of time into it. We have between 2-3000 visitors a month on our home page (Local organisation - tourism, WPSE).

Because of the economic ventures in tourism and the Öresund Bridge, we feel that many will choose that way to Virserumsit the crystal works proVirserum and want to see Astrid Lindgren's World in Virserumby. Studies show that tourists from the south prefer the forests, the lakes and Astrid Lindgren's World. The Ministry of Transportation and Roads Systems told us to "make this into a real tourist route from Central Europe and have them come in". Perhaps this can be a real road for tourists and the Öresund Bridge is co-operating... but it isn't only that.... During my time in office we helped rock parties up there. I remember when we began; I got a lot of criticism because we sponsored what was considered "devil music." The farmers outside Hultsfred had cows in the pasture that stampeded the fences and disappeared because of the sound volume. Now they are quite independent. I am also the chairman of Virserum's Musical Days Festival, which lasts a week. We have artistic and musical talents who are from Virserum and have paled in the Royal Opera Theatre, Stockholm for 30 years. A lot is thanks to the driving forces that are very engaged here. Famous people come here and play and give classes to the youngsters. ... If you are to get an allowance, all the invoices have to be paid in advance, one receives re-numeration afterwards. We have to arrange for credit, which is problematical. We have many EU projects that are quite large and this is the largest, about 16 -17 million SEK. The concert hall cost 4 million SEK., and there is an artisans union, and also a telecommunications museum. This is to be a tourism and cultural area. We will arrange projects with the Tourism Committee for the next three years in order to arrange the financing. The EMÅ Projects, the LIDA Projects, and smaller projects (Former politician, LWPSE).



(a)



(b)

Figure 47 Old and recent traditions in Southeast Sweden:
From Alvastra chronic play at the ruins of Alvastra monastery in Ödeshög, WPSE, to the Rock Festival in Hultsfred, LWPSE.

53 <http://www.odeshog.se/>

54 <http://www.hultsfred.se/turism/festival/festival.htm>.

55 <http://www.Virserumrserum.net/musikdagarna/index.htm>

- Religion

In the past, religion and politics were tied to driving forces in the development of SE region, mostly in the WPSE area (part of Småland). Local family dynasties were closely connected to the church, which therefore got a strong position in the region quite early. This religious component has always been part of the region's identity. In the 19th century, a strong revivalist movement had a deep impact on the religious structure of the study area. The Evangelical movement opened the way for a strongly "Free Church-oriented society" in the northern part of Småland. Interviewees in the WPSE area confirm that the area has many religious groups. But not all of them would agree that religious groups would be more successful as a group than the other local, many don't believe that religion per se has any impact on the local economy. However, interviewees in the WPSE area more often knew about the existence of religious groups, events and other gatherings supported by these organisations and believe that religion often is a factor that helps 'bring people together' (see citations below).

What kind of religious groups are there locally? The Swedish State Lutheran Church and the "free" fundamentalist protestant churches. Many people in this area are religious. **Is there any group, which predominates?** No. Do you think that religion is something that influences people locally; **does it unite people or split them?** It unites them (Local organisation, WPSE).

We haven't got very many religious groups here (Public Official, LWPSE).

What are the religious denominations like? There are right in the centre; they are very comprehensive here. Do you think that networks like these are important even in the economic life of the community? Actually, I feel that they have an inhibiting effect (Entrepreneur, WPSE).

There are many. They influence a great deal of what happens and what doesn't happen, as well; they have a conserving power, I think. There are those who are represented in the local administrative government, but they are not very radical (Public Official, LWPSE).

What religious groups are found locally? We have all sorts of parishes, the Swedish State Lutheran Church and others. There are about three or four various free churches and "Livets Ord" (fundamentalist), but none of these are large. Everyone tries to work together (Public Official, WPSE).

What religious groups are found locally? There are many... The Swedish State Lutheran Church, of course, The Baptist Church, a Catholic church, an alliance mission and various "free" churches. **Do you think that people could be grouped by denomination and according to how successful they are?** I think that many people have noticed, not only here in Ödeshög, but even in Sweden and Finland that the people involved in the various "free" churches are righteous, they don't drink for example. Money can be saved and they are very proper, generally speaking. It seems that they almost succeed a little better, I must say. **There is no specific area?** No, there isn't. It is general. Also in Ödeshög (Entrepreneur, WPSE).

- Values, beliefs & attitudes

The whole of Southeast Sweden (people and municipality) has a relatively positive attitude towards entrepreneurship (comparing with North Sweden, for instance). However, people in LWPSE area are more positive towards entrepreneurship than the LWPN area - at least according to entrepreneurs and municipal politicians perception of the business climate in these areas (Figure 48). This difference between study-areas is also confirmed when entrepreneurs declare their perception of municipal politicians towards entrepreneurship (Figure 49).

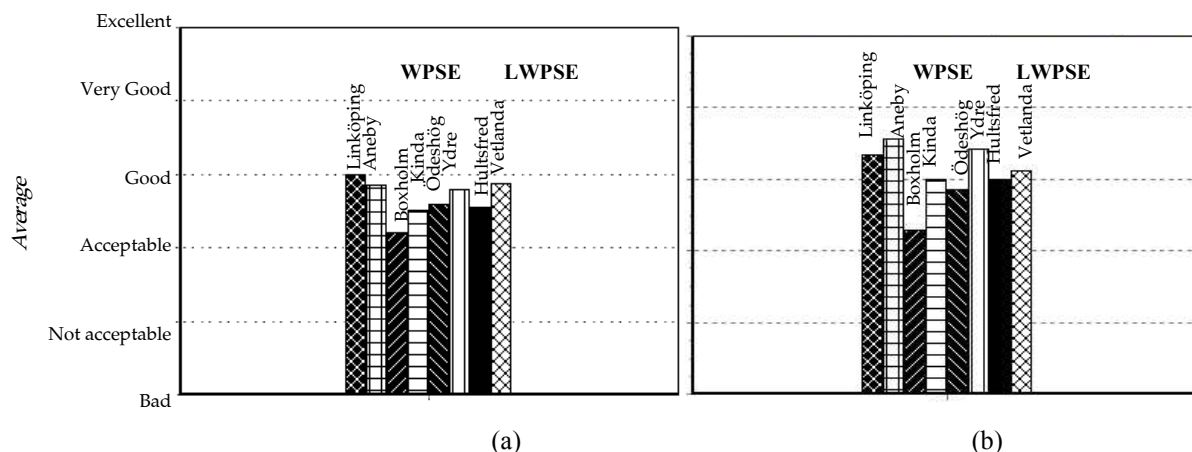


Figure 48 General attitude towards entrepreneurship according to entrepreneurs (a) and municipal politicians (b), 1999.

Source: SAF, Företagarenkät SAF/Demoskop

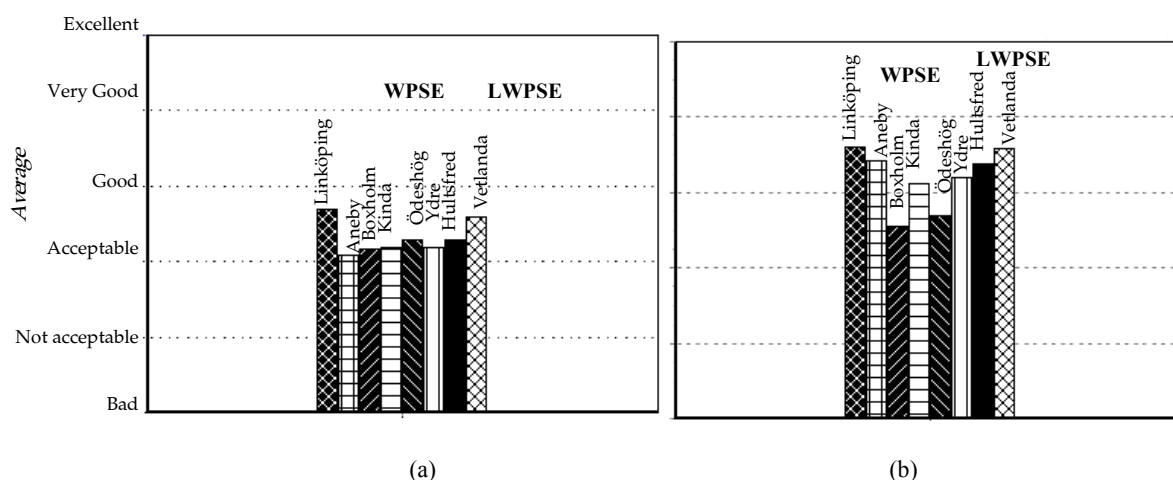


Figure 49 Municipal politicians' attitude towards entrepreneurship according to (a) entrepreneurs and municipal politicians (b), 1999.

Source: SAF, Företagarenkät SAF/Demoskop.

Regarding the study areas' attitude towards EU, no clear difference seems to exist among the study areas (Table 75). The whole Southeast region was considered being in favour EU membership. Two municipalities belonging to WPSE were relatively more negative than the rest of municipalities - Aneby and Ydre, two municipalities where conservatives dominate since the 1970's (Table 76).

Table 75 Attitude towards EU in Southeast region

Municipalities	Favourable votes to EU membership (%)	
WPSE	Aneby	34,8
	Boxholm	45,1
	Kinda	42,5
	Ydre	35,6
	Ödeshög	45,4
LWPSE	Hultsfred	39,9
	Vetlanda	41,6
Linköping	58,9	
Sweden	52,3	

There seems to exist differences in political preferences between WPSE and LWPSE areas. The WPSE tend to be dominated by conservatives while the LWPSE varies in having of Social Democrats as the majority in the municipal council or an undefined majority (Table 76).

Table 76 Political majority in the municipal council in WPSE and LWPSE areas, 1973-1998

		1973	1976	1979	1982	1985	1988	1991	1994	1998
WPSE	Aneby	B	B	B	B	B	B	B	B	B
	Boxholm	S	S	S	S	S	S	O	S	O
	Kinda	B	B	B	B	B	O	O	O	O
	Ydre	B	B	B	B	B	B	B	B	B
	Ödeshög	B	B	B	B	B	O	O	O	O
LWPSE	Hultsfred	B	B	O	O	O	O	O	S	O
	Vetlanda	S	S	S	S	S	O	O	O	O

S = Social democrats and left party
 B = Conservative party and Liberals
 O= Undefined majority (less than 50 per cent of either S or B)

4.1.10. Quality of life

High QOL in rural areas has a pull effect on individuals and entrepreneurs and indirectly impacts on the region's economic performance. This is assessed here through looking at the following aspects: living standard and safety; environment quality and recreation and multiculturalism.

- Living standard and safety

Table 77 shows the population of the study areas by income brackets. The distribution of the population by income brackets in the WPSE is very similar to the LWPSE and also to Sweden as whole. This fact can partially be explained by the fact that the local labour market of these areas also works similarly to the national average (see section 4.1.2, on 'Human resources'). That is to say, the performance of the whole SE region in activating labour force is pretty much in line with the Swedish average performance. This might be related to the region's labour force structure that is similar to the average of the country (share of active and non-active population) and, therefore, would present similar degrees of adaptability to external influences as the country as whole and certainly similar income distribution.

Table 77 Population 16-64 aged by income class (per cent) 1991/1998

	WPSE	LWPSE	Southeast region	Sweden
No income	23.7/5.0	22.0/4.5	22.7/4.7	3.1/6.1
0-200 thousand crowns/year	59.2/67.3	59.3/65.6	59.3/66.3	82.6/59.1
200-400 thousand crowns/year	16.7/26.4	18.4/28.6	17.7/27.6	13.0/31.1
>400 thousand crowns/year	1.0/1.3	0/1.3	0/1.3	1.3/3.7

Interviewees are satisfied with local services, regardless of the study area (see section 4.1.3, consumer oriented infrastructure). Access to schools and pharmacies are less appreciated among the interviewees, regardless of the study area. They were asked to define their degree of satisfaction with the main basic services (pharmacy, post office, stores and schools) and the large majority declare to be quite satisfied or satisfied with these services, despite the fact many stores, post offices and pharmacies were close down during the 1990's.

Safety is often a quality inherent to rural areas. Although no final conclusion can be drawn at study area level, a brief analysis of the available statistics at the county level shows some differences in the study areas. In fact, most of the WPSE municipalities belong to Östergötland county, where a relatively high crime rate is found (see chapter on North Sweden Region, section 3.10, on 'quality of life'). This relative high rate of WPSE area may

be related to the fact that the area is part of a county, which has relative large urban centres (e.g., Norrköping and Linköping), which certainly contribute to the high incidence of criminal offences for the whole region.

You can go out and about this city day and night and need never worry about whom you might meet. I usually take a walk every evening between 11:30 - 12:00 pm. Everything is calm and peaceful. You can walk around in safety. That is quality of life of the highest order.(Entrepreneur, WPSE)

What is the relationship between the community and newcomers? It is most difficult to move in as a newcomer, and I speak from my own experience. I have now lived here for 30 years. It is only recently, with the existence of the “Bruks Museum” (the Factory Museum”) that I have been able to get closer to the residents of Boxholm. Once people from the outside were hired and brought in because they had qualifications that weren’t available in this community. That’s when we moved in and everybody mingled socially. That is rather typical of the mill community. **Would you describe the newcomers in terms of class– did they comprise a rather large group ?** Not really, there wasn’t any kind of class difference – more like different groups. **What proportion of the population consists of immigrants or newcomers? I would estimate them at ten per cent of the population. How are the feelings about immigrants – are there any conflicts?** No, there are not. Not as far as I know. There were probably conflicts earlier, when a greater number of immigrants lived here. Perhaps one was more reserved. I cannot really say that conflicts exist as such, at least not that I know of at any rate. **Do you perceive differences in income between the earlier Boxholm residents and the newcomers? Which group tends to take the initiative for new activities, the older residents or the newcomers?** Oh, the newcomers. The Boxholm residents tend to dwell in the old spirit of the factory works. It used to be the foundry that ran the show (Museum chairperson, WPSE).

- Environment quality and recreation

The initial hypothesis here was that it is favourable to the area to have a strong positive perception/attachment from the population of/to environment and cultural amenities, either as a potential economic resource or just as a symbol of the local identity.

Interviewees, regardless of the study area, are proud of their nature and landscape. In both areas, they see the quality of the surroundings as part of their quality of life (see citations below) and a pull effect for businesses. In the WPSE, several tourist activities that exploit the rich landscape seem to be more organised than in the LWPSE – fact that can be regarded as an indicator of better management of these resources (see section 4.1.1, on ‘natural resources’).

I love nature in this area... especially when everything begins to bloom (Citizen, WPSE).

What does the local environment mean to you? Surroundings are rather important for where you live and work (Entrepreneur, WPSE).

I would value this very very highly. It is important that people enjoy themselves during their leisure time. The forest, the earth, nature and the lakes are important (Local organisation, LWPSE).

- Multiculturality

Multiculturality in rural areas is perceived either as a potential resource that might contribute to the economic development, or as a burden for the hosting society. The initial hypothesis here was that areas that are able to take advantage from being a multicultural community tend to be economically better off. Most of the interviewees declare themselves to believe that is not easy to be a newcomer in their communities and especially for foreigners. More often in LWPSE area, interviewees state being aware that there are some type of conflict between new comers (specially, foreigners) and the native population (see citations below).

Conflicts here? There are some conflicts among the Swedes and the immigrants. In Stora Haga many immigrants feel segregated. Most of them are Kosovo Albanians (Entrepreneur, LWPSE).

There are the immigrants. There aren’t many people here... and then the immigrants move in... It does become a little touchy... (Local organisation, LWPSE).

We have very few immigrants down here. That factor disappears. One can spot an outsider on the street, but just take it easy and one blends in after a while. If you are decent to other people and treat them fairly, you will be accepted after a while (Entrepreneur, WPSE).

4.2 THEMES AND DYNAMICS

In this section, the dynamic development of the study areas is summarised by a linkage analysis of the 10 tangible and less tangible factors assessed in the previous section. It is well known that the success or the decline of the study areas cannot be explained by a factor alone. Three sets of themes or dynamics are used to try to explain the differences in DEP among the Southeast Sweden study areas. These three sets were chosen based on the relevance of the interrelationships (see Table 78) between the most important factors used to explain DEP.

Table 78 shows an attempt to summarise the analyses performed using tangible and less tangible factors for Southeast Sweden. The study areas differ from each other (1) mostly in aspects concerning infrastructure (specially communication) and investments and certain aspects of the local culture. To a lesser extent, differences in economic structure, human resources and capacity to build networks and market performance. Aspects related to culture and qualities of life are judged to be very similar for North Sweden.

The most important factors that explain DEP in Southeast Sweden (2) are related mostly to human resources, investments, networks and, to a lesser extent, infrastructure, economic structure, market performance and culture.

Table 78 Explaining DEP in Southeast Sweden through tangible and less tangible factors

	<i>Tangible factors</i>					<i>Less tangible factors</i>				
	Natural Resources	Human Resources	Infra-structure	Investment	Economic Structure	Institutions	Market Performance	Networks	Culture	Quality Of Life
Assessed differences WPSE and LWSE (1)	Medium	Medium	Large	Large	Medium	Small	Medium	Medium	Small	Small
Relevance to explain DEP (2)	Medium	Relevant	Medium	Relevant	Medium	Small	Medium	Relevant	Relevant	Small

(1) How large are the differences between the study areas?



(2) How relevant is the factor to explain DEP?

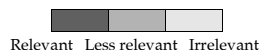


Figure 50 and Figure 51 illustrate the interaction of the 10 factors in order to explain DEP in the two study areas.

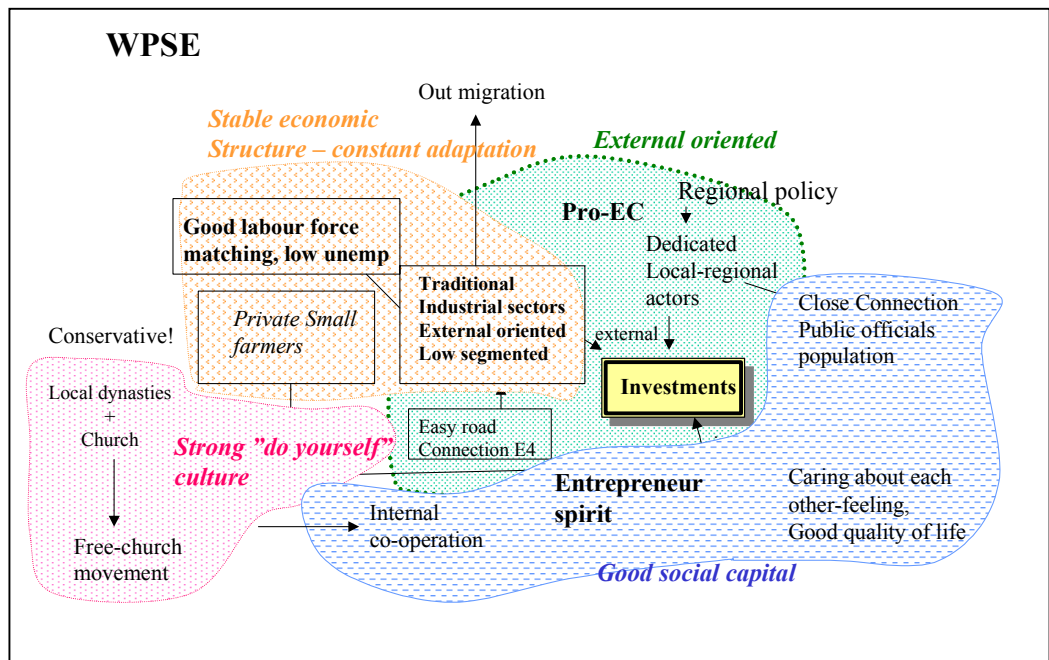


Figure 50 Explaining DEP in WPSE area.

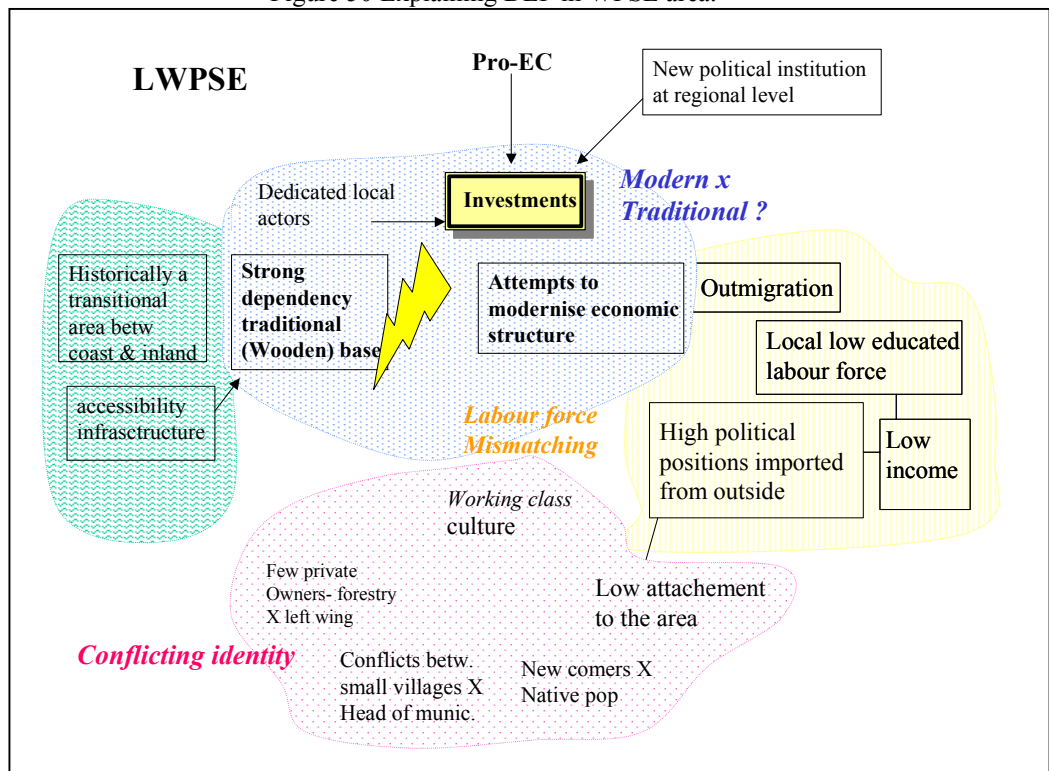


Figure 51 Explaining DEP in LWPSE area.

4.2.1. History, independence and entrepreneurship

The region of study Southeast Sweden does not consist of a homogeneous geographical and cultural entity. The area is primarily situated along the borderline of the two landscapes Östergötland and Småland. North of the woodlands of the region, in the plains of Östergötland the basis for a key position of the region was already situated in the middle ages; the very fertile soil made it the most important agricultural district. But also in political terms, the region was a powerful centre as local dynasties, and families that had important driving forces in the development of the Swedish kingdom existed. These families were closely connected to the church, which therefore got a strong position in the region quite early. This religious component has always been part of the region's identity. In the 19th century, a strong revivalist movement had a deep impact on the religious structure of the study area. The Evangelical movement opened the way for a strongly "Free Church-oriented society" in the northern part of Småland, which also includes part of the region of study (WPSE municipalities).

But despite its central political and economical position, SE Sweden was geographically quite peripherally situated, i.e. a part of a border province of the Old Swedish Kingdom - Småland. This location gave the possibility for trading and cultural connections with the neighbouring countries, but on the other hand, it included a permanent threat of ravages. During the struggles of the late Middle Ages until the end of the Swedish-Danish wars in 1677, the local people developed a strong self-confidence, which resulted from their success in negotiations with the central power. This relative independence can also be seen in the so-called Dackefejden of 1542, a revolt of farmers against the growing central power, one of the biggest in Swedish and Nordic history, which was initiated in the Småland frontier area.

In the 19th century, a general expansion in terms of population accompanied by an increased productivity of agriculture took place, which had long-lasting consequences for the region, since the gap between population growth and livelihood widened. Especially in the period 1815-65 the population increased substantially, which led to a considerable out migration to Denmark and Germany and later, to USA. In the 1850s, the United States was the main destination of out migration and especially the famine of 1867-68 contributed to the massive migration to North America, culminating in the 1880s. Particularly parts of the leading Southeast Sweden (Småland) was one of the most outstanding examples in terms of emigration to America within the period 1860-1930, with a loss of 50 percent of the total population. It took almost 100 years for the rural areas of the region to recover and reach the former level of population. The population development in the different counties of the region Southeast Sweden over the past 50 years follows basically the following pattern: a population decrease in the 60s up to the early 70s and afterwards a more positive development may be recognised.

Compared to other deprived regions in Sweden, Southeast Sweden is known as 'an independent region', always receiving very little help from the central government and later, EU (specially compared to those northernmost regions). The Southeast region was among 'the losers' of the old system of regional policy that favoured the 'weak regions'. Although structural changes modified the current regional policy, there still exists a clear North-South divide in availability of resources (see the available the amount of investments and transfers to both regions). At study area level, the WPSE is the one that manages to acquire more public resources, which signals the existence of local/private capital that attract more investments, as well as the local actor's capacity to organise themselves to receive these investments. These differences in investments between the study areas seem not directly affect their capacity to business (the difference between WPSE and LWPSE is low), but certainly, other indicators that indicate a long-term economic stability of the area (such as, a better matching between labour force demand and supply, which in its turn resulted in a lower unemployment rate and less population outflow).

The region's label of being able 'to be on its own feet', hide differences in the local culture of the study areas that may explain at least partially differences in economic performance. The first one refers to differences in political preferences between WPSE and LWPSE areas. The leading areas certainly could be characterised by a more individualistic culture, based on the past of small property farmers (that knew how to co-operate) to more collectivistic ideas rooted in a more traditional manufacturing-related culture of Vetlanda and Hultsfred, the LWPSE area. The WPSE tend to be dominated by conservatives while the LWPSE varies by having Social Democrats as the majority in the municipal council and an undefined majority. The individualistic-conservative type of culture, which dominates here, seems to be based also upon links of trust between local actors through close contacts, cultivated through, among other things, the Church (see sections on 'culture' and 'networks'). Another factor is that the WPSE area has closer connections to the main centres of economic dynamism of *Småland*, not least of all the municipality of *Gnösjö* (internationally known by its dynamism and being 'the nest of entrepreneurs') than the more coastal LWPSE (as part of the Kalmar county). Thus, for the reasons described above, the strong spirit of entrepreneurship seems to be more deeply rooted in the WPSE culture than the LWPSE.

4.2.2. Economic structure in transformation: from sawmills to hard rock

For a long period of time, the region of study was predominantly an agrarian area characterised by small-scale (stock-) farming often combined with other forms of employment like forestry and basic manufacturing. In the 18th century, the exploitation of the woodland intensified as a result of a growing paper and furniture industry in the region and nowadays, the timber supply per hectare is one of the highest in the country. The implementation of transport infrastructure was crucial for fostering the economic development of the region. The established railway routes, especially the Östra Stambanan (1863-73), as well as waterways, like the Kinda Kanal, opened up the way for a growing industrialisation in the 19th century. Beside the already established food and paper/timber industry, a manufacturing industry concentrated in the field of electronics, can be found, as well as engineering related industry. Additionally, there is an ironwork industry (in Boxholm), which started in the late 19th century partly based on local ore findings as well as on the easy access to wood



(a)

(b)

Figure 52 Is it Hultsfred's economic turning point?

- (a) *Festivalen ger bygden framtidstro*: The festival gives the community trust to the future (investment in new jobs)
- (b) *Festivalen är Hultsfred framtid*: The festival is Hultsfred future.

Nowadays, the region has its socio-economic structure signified by a dependence of primary and secondary sectors (agriculture, forestry and manufacturing industry) while other types of industry and the private service sector are underrepresented compared to Sweden as a whole. The manufacturing sector receives a strong contribution of forestry and timber industry.

Sawmills, pulp mill, paper industry, factories manufacturing wooden house parts have become the backbone of the regional economy during the past few decades. As many other parts of Sweden, the public sector and most traditional activities such as agriculture, forestry, mining, faced rationalisation during the 1980-1990's, with consequent structural changes that often led to unemployment. In the LWPSE, where the unemployment rate has constantly being high and a depopulation trend has been inevitable during the last decades, new economic branches have been a reaction to this negative trend and nowadays, regarded as part of the solution of the area's economy.

The most interesting example is certainly the case of Hultsfred (LWPSE) that has witnessed, the progressive development of a non-traditional branch, based on music and culture based-industry, which seems to be rescued the "future" for those living there (Figure 52) since the beginning of the 1980's. *Rock City* is the trade name for a set of activities that are associated to the music/IT/experience industry. This became an entrepreneurial cluster that initially started with the organisation of a nationally known rock festival (Hultsfred festival) that led to the establishment of several other activities, including research, education in the branch of music/IT/experience industry that nowadays is a unique for Sweden. The municipality has recently received from the Government the assignment to create industrial development centre for Swedish music industry in Sweden.

Many (including interviewees) are not sure whether or not this type of non-traditional initiative in a very traditional economic economy, such as the music industry in Hultsfred, will be able to become profitable and absorb local labour force in the long run. Although scepticism exists, the Rock City initiative can be seen as a positive reaction that may inspire other local actors, specially entrepreneurs, to resist and possibly turn the negative trend that characterise the areas in terms of unemployment and depopulation.

4.2.3. Values, attitudes and local conflicts

In the past, religion and politics were united driving forces in the development of SE region, mostly in the WPSE area (part of Småland). Local family dynasties were closely connected to the church, which therefore got a strong position in the region quite early. This religious component has always been part of the region's identity. In the 19th century, a strong revivalist movement had a deep impact on the religious structure of the study area. Interviewees in the WPSE area confirm that the area has many religious groups. They were more often cognizant about the existence of religious groups, events and other gatherings supported by these organisations. They also believe that religion often is a factor that helps 'bring people together'. Although they are often more conservative, people are willing to co-operate and built networks.

Interviewees living in the WPSE are clearly more confident about their identity (what they and others feel/think about themselves). The local identity has a lot to do with the traditional label of 'being a *Smålänning*', which often stands for 'capable, hard-working, stingy, creative people', but also for aspects of the basic economic structure or aspects related to the local traditions, such as, the strong perpetuation through generations of the Folk sagas and legends.

The whole of Southeast Sweden (people and municipality) has a relatively positive attitude towards entrepreneurship. However, these communities are far from being free-of-conflicts. They are also characterised by facing many battles that not always are solved internally. One example is the conflicts between new comers (specially, foreigners) and the native population (specially in the LWPSE). Other examples involve conflicts between known traditional branches (farmers and those working in manufacturing) or between modern and traditional branches. Besides the traditional political divergences, there are conflicts between the main centre and the communities belonging to municipality. Certainly, what effects the difference between the WPSE and LWPSE municipalities is not the lack of conflicts but

having ‘the right mentality’ to transform these divergences in something positive to the local economy.

4.3. CONCLUSIONS FOR SOUTHEAST SWEDEN

The seven municipalities that together were selected as the Objective 5b region Southeast Sweden range from 4 200 inhabitants (in Ydre) to 15 100 inhabitants (in Hultsfred) in 2000. All of them have a very narrow industrial branch basis. Most of them have a history of being located in a kind of local periphery, at the borders of counties, however not as remote as the study regions in North Sweden. Only recently have some of these municipalities been integrating into larger commuting areas accessing expanding urban centres such as Växjö and Linköping. This recent labour market integration process, however, is very important for understanding the future of these regions. Known as ”regional enlargement”, this is also an important element in the new regional policy in Sweden. In most small Southeast municipalities, private services are still not very important and the dependency on public services for employment is less than in the North Sweden municipalities.

The WPSE municipalities are quite heterogeneous in terms of their history of structural change. Some of these municipalities have been dominated by agriculture and forestry, with only limited industrial processing of raw material from these sectors. Others have been more oriented towards one or a few large manufacturing companies; others still have a more diversified SME structure. In a cultural sense, the farming rural lifestyle has dominated in some of these municipalities, in others there is also a working class lifestyle represented.

In the national rural policy during the 1980’s and the first part of the 1990’s, in these areas small-scale projects – business start-ups, farm diversification, etc - have dominated. This is also true for the LWPSE.

The local economy of each of the two LWPSE municipalities is more similar with a forestry based processing industry, which has been closely linked to the up- and down swings in the business cycle over time. Boom periods have more than once been followed by severe local labour market crises.

We suggest that the historic path dependence of these two study areas is most important for explaining differing performance. However, firstly it should be emphasized that there is not one single dimension to be considered in determining whether the study areas are performing well or less well. Secondly, the differences in performance between the WPSE study area and the LWPSE are not very large and mainly displayed indirectly in the following terms:

- Stronger long term trend of depopulation in LWSE
- Much larger rate of depopulation in the 1990s in LWPSE
- Substantially higher rates of long term unemployment in LWPSE
- Somewhat lower educational level of the labour force in LWPSE

It is important, however to stress that direct economic performance – measured in terms of income per capita of the local population, i e the local income tax basis – is estimated to be almost 20 percent higher in the LWPSE than in the WPSE (Figure 39). The main reason for that is the demographic structure of the population and its industrial structure characterised by low wages. Once again, this also illustrates the compensatory functions embedded in the Swedish welfare programmes. We conclude that a great part of the dynamics of rural areas in Sweden is obscured by several decades of intervention of national policy measures favouring cohesion between social classes and regions. A municipality reporting poor income tax basis is automatically compensated for the deficits. The quantitative and qualitative supply of basic local services is accordingly more or less standardized between leading and lagging regions.

Also, differences in economic activity are reflected by the much higher investments per capita within the Objective 5b programmes 1995-99 – the investments being four times higher in LWPSE than in WPSE. This is partly a reflection of priorities given to the lagging region by the 5b Decision board, partly of a stronger capacity for project formulation and implementation established in the more turbulent industrial history of LWPSE.

Explanations and evaluations of differences in regional performance between study areas in this region have certainly to go beyond one single or a few indicators. We conclude that the understanding of differing performance both between municipalities and between study areas have to be based on,

- Knowledge of local economic and social history
- Linkage to the area's local capacity to respond to regional development policy in a broad sense
- Accessibility in an era of "regional enlargement" in Sweden, i e geographical extension of commuting areas as well as of the production environment, the business milieu, around expanding urban "centres of excellence".
- Attractiveness of the area as a housing district with natural and cultural assets which is closely linked to the above

All these factors are expected to have impact in particular on migration patterns and hence local population development, which we have found are the most dividing indicators of differing performance between the study regions in SE.

5. COMPARISONS, SYNTHESIS AND RESEARCH IMPLICATIONS

In this section, the attempt is to draw general conclusions about the DORA regions and study areas by combining the ten DORA factors into three main sets of indications based on their characteristics and potentialities. These sets of factors initially deal with *strengths* and *weaknesses* in terms of regional and local (i) structural assets, (ii) capacity to fostering endogenous growth, and, (iii) and promotion of a good quality of life. The same aspects are discussed in terms of opportunities (when strengths and weaknesses are turned into something positive) and threats (when the characteristics may become the main cause of the regions/study areas poor performance).

5.1 COMPARISONS

Table 79, Table 81 and Table 83 summarise the major characteristics of the regions North and Southeast Sweden. The main strengths of North Sweden are its strategic location combined with the abundance in natural resources. These resources have created a long tradition of most important Swedish export sectors (mining, forestry and other manufacturing industries processing raw materials) but also have allowed a renewal of economic structure in certain areas, where ‘nature’ has been used in a more creative way (for instance, tourism). Its location can also be perceived as an asset in terms of development of ‘a winter culture’ that open up for a whole new range of economic activities. Nature and wild life, good consumer oriented infrastructure, and relatively good salaries (set wage level for public sector) are driving forces behind an increase of population movement towards the countryside in North Sweden.

However, the region’s location has traditionally been perceived as an important barrier for economic development during the past centuries. Long distances to other more central Swedish regions associated with inadequate climate for agriculture, deficient transport infrastructure and more recently, a large share of territory composed of sensitive environments protected by law are regarded as the main region’s weaknesses in terms of structural characteristics. Even though sceptics believe that this constitutes an ‘artificial respiration’ (*konstgjord andning*) and perpetuates the region’s dependence on state funds, the well built public sector employs a large amount of the active labour force (in most all study areas, the public sector are the main employer – specially for women) and keep many villages and rural communities alive by maintaining their welfare unharmed. During the 1990’s, cut backs in the public sector has of course reached strongly the region, intensifying even more the depopulation processes and contributing to the diminishment of jobs and services supply. This local organisation also helped to identify people that live and work in the area and are ready to be the communities’ ambassadors (*eldsjälar*).

Against these developments, a strong rural community movement (*landsbygdsrörelse*) grew its power and fought, sometimes successfully, to keep employment and the basics of the region welfare. It is said that the long tradition of dependence has created a diffuse regional identity that traditionally enforces conflicts between groups rather than put them together towards a unique goal. The region’s remoteness combined with strong links of dependence and oppression from the centre power and ‘big lords’ (*lokal herrarna*), also played a role in creating a certain institutional marginality. Institutional marginality is here understood when people are often sceptical about government – perceive it as bureaucratic and far way (this phenomenon reflected on people’s vote against the Swedish membership in EU in 1995).

In terms of opportunities (Table 81), the region seems to give several signals of economic renewal through the large inflow of investments, not least from EU Structural funds. Parts of these go directly to the stimulation of regional economy (infrastructure, support for SME, labour force measures, etc) and even for keeping the basic welfare system. People’s attitudes seem to be changing and more and more people see the European Union as a new source of

investment in the region. Global communications and specially IT infrastructure play an important role in the process of internationalisation of values and keeping the local identity. Many steps towards a more friendly contact between local cultures are example of this process of self-valuing (e.g., *Vägvisaren* – a internet portal presenting the local power in an international perspective). The important challenge for the future is to enforce the region's identity – with the right use of diversified culture to promote the region's survival and economic dynamism. The recent inflow of population, proclaimed by the Swedish National for Rural Development Agency, towards several inland municipalities may be seen as a positive sign and perhaps a stabilisation of the depopulation process in the region (Table 82). However, contradictory trends (low fertility, ageing population and differential migration out flow – gender and age related) are constant threats to the regional development. This is particularly true for the less well performing areas (Table 80 and Table 82). In these areas, there is a risk for increasing even more the segregation in the labour market, which may lead to higher unemployment on long run.

Table 79 Strengths and weaknesses by region

STRENGTHS and WEAKNESSES		
	Region: Southeast Sweden	Region: Northern Sweden
Structural assets	<p>Strength: Availability of <i>natural</i> resources as raw material (forestry and agriculture) and 'for experience' (Tourism), Good supply of leisure activities</p> <p>Strength: Good location in relation to Baltic countries, more central than North Sweden</p> <p>Weakness: A certain 'local periphery' in relation to the most developed regions in Sweden</p> <p>Weakness: The secondary road network with bad bearing capacity in forest roads, decreasing quality of roads – poor maintenance</p>	<p>Strength: Abundance in natural resources (Forest, mining and water, mountains, coast and rivers, several reserves and protected rivers), "Europe's last wilderness"</p> <p>Strength: Strategic place in relation to East-West and North-South perspective</p> <p>Weakness: Long distances (The peripheral location in relation to other Swedish regions, inadequate climate for agriculture, deficient transport infrastructure, sensitive natural environment - a large share of the territory is composed of reserves and protected rivers and forest)</p>

Endogenous growth factors	<p>Strength: Closeness to larger labour market areas and large regional university centres (e.g., Växjö and Linköping) allowing the integration of local labour markets into a ‘greater economic dynamic’</p> <p>Strength: The ‘right’ culture - traditionally known as an “independent” region (e.g., Dackefejden revolt) and by its “entrepreneurship” spirit, which has a positive attitude towards EU.</p> <p>Weakness: internal conflicts (traditional and non-traditional branches; natives and new comers, main urban centre and villages)</p> <p>Weakness: Narrow industrial branch structure (Forestry, agriculture and industrial processing of raw materials), which leads to a limited labour market for high educated labour force</p> <p>Weakness: Although there is relative felicitous matching of labour force to local needs, there is a constant need for skilled labour force. The limited changeover to universities, that is in part related to the lack of supply regarding university education in the study areas</p>	<p>Strength: The long tradition of export sectors, such as mining, forestry and industries processing raw materials.</p> <p>Strength: Well-built public sector that employs a large amount of the active labour force, mostly women.</p> <p>Strength: A strong rural communities movement (landsbygdsrörelse)</p> <p>Strength: The winter culture (Three neighbouring cultures (Finland, Norway and Russian)</p> <p>Weakness: Diffuse identity – composed of a combination of conflicting interests, strong ‘male culture’ (hunting, fishing, etc), ‘jantelagen’ spirit</p> <p>Weakness: High dependence on state activities has led to limited tradition of private entrepreneurship and, notleast, an initial negative attitude towards EU</p> <p>Weakness: Small private sector and few new enterprises in new sectors force, and the limited labour market for high educated labour force and females</p>
Demography and quality of life issues	<p>Strength: Good infrastructure for consumers and businesses (A relatively good housing supply, the low cost of places) and good living standard, proximity to large regional centres</p> <p>Strength: Youth share in the total population, the large share of young people with secondary school</p> <p>Weakness: Ageing and decreasing population, the relatively low educated labour force, high population outflow.</p>	<p>Strength: The good living standard, which is determined by the relatively good households’ incomes with a nationally set wage level for public sector</p> <p>Strength: closeness to nature and wildlife – a strong component in the Nordic culture</p> <p>Weakness: extremely sparse ageing population, low fertility, very limited regional market (Regional unbalance – population’s structure, education and occupation).</p>

Table 80 Strengths and weaknesses by study areas

STRENGTHS and WEAKNESSES				
Study areas: Southeast Sweden		Study areas: Northern Sweden		
	WPSE	LWPSE	WPN	LWPN
Structural assets	<p>Strength: rich nature and traditional (agriculture) and more innovative use of natural resources</p>	<p>Strength: Good location in relation to Baltic countries</p> <p>Weakness: relatively poor terrestrial transport links (highways) that lead to certain extent to isolation</p>	<p>Strength: better served by natural resources (water and mountains landscape)</p> <p>Strength: Attempts in making a more innovative use of natural resources (e.g. Storuman)</p> <p>Weakness: Remoteness – the poor market performance in relation of other Swedish regions</p>	<p>Strength: Strategic place in relation to East-West and North-South perspective</p> <p>Weakness: Extremely peripheral – high production costs and low business and labour force attractiveness. Deficient transport infrastructure</p>
	<p>Strength: good road links (E4), main corridor to South Sweden, Europe</p>			
	<p>Weakness: small municipalities, low diversified economy and dependence of other local labour markets</p>			

Endogenous growth factors	Strength: historical links between local affluent families and religion. Traces of a 'Free church oriented society'	Strength: The long industrial tradition (manufacturing and forestry based business)	Strength: Attempts in making a more innovative use of natural resources (e.g., Storuman)	Strength: Well-built public sector, creates jobs and helps to keep a balanced welfare all over the country
	Strength: Closeness to larger labour market areas Weakness: small municipality size, weak taxation basic and greater receptor of transfers	Strength: fostering non-traditional branches, music and culture based industry, that attracts also specialised post secondary education Weakness: more apparent conflicts - between locals, disbelieve in modern branches	Strength: A more positive attitude towards EU led to less institutional barriers and greater amount of EU funds Strength: some social capital – more often individuals that 'make the difference' Weakness: traditional economic structure	Weakness: less cohesive social groups, strong 'jantelagen' spirit Weakness: traditional economic structure created culture of dependence, 'big lords' and 'workers' and lack of entrepreneurship spirit
Demography and quality of life issues	Strength: relatively low long term lost of population Weakness: past depopulation through emigration to Germany and USA	Strength: better services supply since the urban areas are larger Weakness: lost of population since the 1970's, high long term unemployment	Strength: The good living standard Weakness: less population outflow in regional terms, labour force mismatching	Strength: Easy contact with nature, safe place Strength: relative good salaries and living standard Weakness: extremely sparse ageing population, outflow of young (female) labour force

A summary of Southeast region and study areas is presented in Tables 79-83. In comparison with North Sweden, the Southeast region has a more central location in relation to the Swedish central areas, EU and not less, in Baltic Countries (which is of highly importance taking the inevitable EU enlargement into consideration). However, mostly the LWPSE is perceived to be located in a 'local periphery', somehow isolated from the main transport corridors. The dependency of the public sector is clearly attenuated by a more diversified economic composed mostly by traditional sectors, such as, agriculture, forestry and manufacturing. But also, by a tradition of regional independence of central government that goes back to Medieval times. This part of identity seems to be a strong component of the region, mostly outwardly oriented (favouring the Swedish Membership in the national referendum in 1995) and internationally known by its entrepreneurship spirit. Internal conflicts may be a threat for the future of the region.

Despite the relatively positive matching of the labour force to local needs, there is a constant need for skilled labour force. The limited changeover to universities is in part related to the lack of supply regarding university education in the study areas. Closeness to larger labour market areas and important regional university centres (e.g., Växjö and Linköping) allow the integration of local labour markets into a 'greater economic dynamic'. This can be particularly important when young people, who may be willing to daily commute to these neighbouring centres, compose a relative large share of the population. Playing against these strengths, the WPSE is significantly more vulnerable for population changes since they are composed of small municipality size, weak taxation basic and greater receptor of transfers.

Regarding the region's quality of life, it is also known for having a very attractive environment that on a small scale is attracting people from abroad as a tourist place (mostly in WPSE). The relatively good housing supply, the low cost of places and good living standard combined with the proximity to large regional centres compose a 'good package' in terms of infrastructure for consumers and businesses.

The most striking threat for the Southeast Sweden is its economic fragility based on long-term dependence of low diversified economic structure (in absolute terms) may lead to even higher population outflow. Forestry based industry faces international competitiveness (mostly from Southeast Asia) and urgently need more investments. However, signals towards a more modern and renewal economy produced during the last two decades are examples of successful fostering of non-traditional branches (example in LWPSE with music and culture based industry, that attracts also specialised post secondary education and institutionalised tourism activities in WPSE). This will only be possible if a more efficiently use of the existent social capital to promote the region's economic performance takes place. Advantage should be taken from the perceived 'less institutional barriers' (in comparison with North Sweden) that fortify local-regional networks towards other regions and abroad and certainly facilitate investments.

Table 81 Opportunities and threats by region

OPPORTUNITIES and THREATS			
	Region: Southeast Sweden	Region: Northern Sweden	
Structural assets	<p><i>Opportunity:</i> Towards diversification – the region continues contributing to important traditional Swedish export sectors (forestry based industry) and invest in new economic activities that fit into the region economic vocation (e.g., tourism or music industry)</p> <p><i>Threat:</i> Bad infrastructure, low investments and low diversification may lead to the region's low competitiveness nationally and internationally.</p>	<p><i>Opportunity:</i> Towards economic renewal – The large inflow of investments will promote a good economic basis (transport infrastructure, IT, education, support to SME's) allowing a fair competitiveness with other parts of Sweden and internationally. Distance independent sectors and investments in tourism may only part of the solution at short term (telecommunication and IT based branches)</p> <p><i>Threat:</i> Eternal dependence of public funds will lead to an inevitable depopulation of the most marginalized areas, namely Norrland inland</p>	
Endogenous growth potential	<p><i>Opportunity:</i> More efficiently use of the existent social capital to promote the region's economic performance. Advantage is taken from the perceived 'less institutional barriers' (in comparison with North Sweden)</p> <p><i>Threat:</i> Economic fragility based on long term dependence of low diversified economic structure may lead to even higher population outflow. Forestry based industry faces international competitiveness (mostly from Southeast Asia) and need urgent more investments.</p>	<p><i>Opportunity:</i> Enforcement of region's identity - Right use of diversified cultural identity to promote the region's economy not only through cutting traditional links of dependence (change in attitude) but also 'by putting the forces together' towards a unique goal: the region's survival and dynamism (e.g., recent rural areas movement). Ambassadors for the region are needed to attract investments.</p> <p><i>Threat:</i> Low increase in private sector combined with the strong dependence of public sector as employer may lead to an even stronger segregated labour market (by gender and education levels) that in its turn result in population outflow.</p>	
Demography and quality of life issues	<p><i>Opportunity:</i> Keeping the share of young population from permanently moving out by investing in post secondary education and facilitating daily commuting to the regional university centres. A more diversified labour market is also a fundamental element.</p> <p><i>Threat:</i> Increasing outflow of population, mostly among youngest groups</p>	<p><i>Opportunity:</i> Counter-urbanisation determined by the good quality of life and relatively good consumer infrastructure –these have a strong pull effect also for businesses, keeping people from moving out. Natural resources recognized as assets.</p> <p><i>Threat:</i> Low fertility rate, ageing population and increasing outflow of population, mostly among youngest groups may contribute to the already heavy burden for 'stayers'.</p>	

Table 82 Opportunities and threats by study area

OPPORTUNITIES and THREATS				
	Study areas: Southeast Sweden		Study areas: Northern Sweden	
	WPSE	LWPSE	WPN	LWPN
Structural assets	Op: Innovative use natural resources, taking advantage of privileged location and accessibility	Op: Better use of good location towards Baltic Countries	Op: Remoteness compensated by public transfers and investments. Less often	Op: Remoteness compensated by public transfers and investments. New

	Threat: bad market for tourism, strong competition with other regions devoted to tourism in Europe	Threat: Low credibility of new sectors, mismatch between the new sectors and local labour force	perceived as a barrier as in the past. Taking advantage of the relative better accessibility to central regions in Sweden Threat: 'Marginality' still the main problem for businesses' competition	sectors (services) less dependent of geography closeness to consumers. Better use of good location towards Barents region Threat: 'Marginality' is still the main problem for businesses' competition. Low credibility of new sectors, mismatching between the new sectors and local labour force lead to depopulation of rural areas.
Endogenous growth potential	Op: Entrepreneurship blooming fostered by the 'right use of social capital' that attract investments to the area and that indirectly, diminish costs of production Threat: Long term population reduction associated to the small market for products and services lead to higher dependence on surrounding areas	Op: Towards diversification of the study area's economy - renewal Threat: Conflicts dominates – failing in the process of economy renewal	Op: Dependence on public sector is lightened by an increase in business start ups and renewal of the economy through efficient use of investments Threat: Strong dependence on public sector remains. Focus on new exogenous activities that are not capable to absorb labour force and are not sustainable on long run without public investments	Op: Dependence on public sector is lightened by an increase in business start ups and renewal of the economy through efficient use of investments – small villages are kept alive Threat: Strong dependence of public sector remains. Focus on new exogenous activities that are not capable to absorb labour force and are not sustainable on long run without public investments
Demography and quality of life issues	Op: Engagement of young share of the population in new businesses or absorbed by a more diversified labour market Threat: bad economy and poor investments in education promotes more population outflow	Op: Modernisation of economy combined with traditional sectors improve people's capacity to stay and invest locally – living standard is guaranteed Threat: bad economy and poor investments in education promotes more population outflow	Op: Small rural villages are kept alive as a result of renewal of the traditional economy combined with emergence of new sectors Threat: Rural villages may disappear as a result of traditional outflow of population, low fertility, ageing population	Op: Small rural villages are kept alive as a result of renewal of the traditional economy combined with emergence of new sectors Threat: Rural villages may disappear as a result of traditional outflow of population, low fertility, ageing population –low living standard for 'stayers'

Table 83 Key points of similarity and difference in the explanation of DEP in the two study regions

	North Sweden (Norra Norrland) (WPN & LWP)	Southeast Sweden (Sydöstra Sverige) (WPSE & LWPSE)	Regional Comparison
Main Contextual features relevant to DEP	<p>The region's peripheral location in relation to the main centre in Sweden and Europe (deficient transport infrastructure) but a strategic place in relation to East-West and North-South perspective.</p> <p>Large geographical area that has an abundance in natural resources (Forest, mining and water, mountains, coast and rivers, several natural reserves and protected rivers), inadequate climate for agriculture. Tourism industry is emerging but still far from fully developed.</p>	<p>A certain 'local periphery' in relation to the most developed regions in Sweden but it has a relatively good location in relation to Baltic countries, more central than North Sweden. Deficient maintenance of transport infrastructure.</p> <p>Availability of natural resources as raw material (forestry and agriculture) and 'for experience' (Tourism), good supply of leisure activities increasingly marketed outside Sweden.</p> <p>Potential to be integrated into larger functional Local Labour Market Areas</p>	<p>WPSE & LWPSE are relatively accessible to the rest of Sweden, Baltic Countries and rest of Europe</p> <p>WPN & LWP are more peripheral than SE Sweden but benefits from its unique environment - "Europe's last wilderness"</p> <p>WPN & LWP compose a much more larger area of the Swedish territory than WPSE & LWPSE.</p> <p>North areas lock such potential – Local Labour market areas will remain small in population size, large by geographic size.</p>
Institutional structures	<p>Municipal development of joint authorities/companies (<i>Kommunal utvecklingsbolag or fond</i>) is a typical regional approach to stimulate business.</p> <p>Objective 6 Structural Funds status (1994-1999) and Objective 1 Structural Funds status (2000-2006). LEADER groups in the study areas.</p>	<p>Traditional business association and local municipal associations are more the most common approach to stimulate business.</p> <p>Objective 5b Structural Funds status (1994-1999) and Objective 2 Structural Funds status (2000-2006). LEADER groups in the study areas.</p>	<p>An institutionalised approach since 1965 and reinforced after 1995 towards business creation in WPN & LWP than in WPSE & LWPSE.</p> <p>WPN & LWP Objective 6/1 whilst WPSE & LWPSE Objective 5b/2.</p>
Regional culture	<p>A strong rural communities movement '<i>landsbygdsrörelse</i>' but a diffuse identity – composed of a combination of conflicting interests, strong 'male culture' (hunting, fishing, etc.), '<i>antelagen</i>' spirit.</p>	<p>The 'right' culture - having "entrepreneurship" spirit. Religion has always been part of the region's profile.</p>	<p>The WPSE & LWPSE has a stronger and more defined regional identity to the benefit of the economy (independence that leads to a stronger entrepreneurship spirit, directed to outwards) than WPN & LWP.</p>

Main Differentiating Factors	North Sweden (Norra Norrland) (WPN & LWP)	Southeast Sweden (Sydöstra Sverige) (WPSE & LWPSE)	Regional Comparison
Natural Resources	Abundance in natural resources but a large share of the territory is composed of reserves and protected rivers and forest	Availability of natural resources as raw material (forestry and agriculture) and 'for experience'	Natural resources as a more determining factor of WPN & LWP than in WPSE & LWPSE
Human Resources	Extremely sparse ageing population, very limited regional market – the region has always had the largest out-migration rate in Sweden. Most of young people who attend higher education migrate and few return after examination	Ageing and decreasing population, the relatively low educated labour force, high population outflow in regional terms.	WPSE & LWPSE has a demographic unbalance that is more recent than WPN & LWP and is significantly less deep
Economic structure	High dependence on State activities has led to limited tradition of entrepreneurship. The long tradition of export sectors, such as mining, forestry and industries processing raw materials. Small private sector (most private investments is subsidised), few new enterprises in modern sectors, and the limited labour market for high educated labour force and females outside the public sector.	Narrow industrial branch structure (Forestry, agriculture and industrial processing of raw materials), which leads to a limited labour market for high educated labour force. Closeness to larger labour market areas and large regional university centres allowing the integration of local labour markets into a 'greater economic dynamism'. Many firms are subcontractors.	WPN & LWP much more dependent on State activities as source of employment than WPSE & LWPSE.
Infrastructure	The region's remoteness plays against the transport infrastructure and affects directly the enterprises capacity to compete in national and international markets. Internal roads system partially maintained.	Diversified transport infrastructure allows a relatively easy transportation of goods and passengers and the integration of local labour markets. Local secondary roads are deficient.	WPSE & LWPSE has a larger and more diversified transport infrastructure than WPN & LWP but both regions have problems with road network maintenance. Remoteness of WPN & LWP is a problem.
Institutions	EU perceived as "far away", perceived barriers at local regional levels (by entrepreneurs and politicians). Traditionally known as a "dependent" region of central government/EU and outsiders. Long tradition for actors to co-operate in regional development programs	Relative positive attitude towards Swedish Membership in EU. Traditionally known as an "independent" region. Emerging co-operation between the small municipalities, especially in the WPSE.	Institutional barriers at local and regional levels in WPN but mostly in LWP are perceived as larger than in WPSE & LWPSE.
Networks	Strong local association movements – type "community participation" (<i>landsbyggrörelse</i>), lack of connection to external networks (e.g. universities) but with signals of improvements through introduction of modern branches (IT, tourism, etc)	Strong family/friends networks (sometimes religious based), relative good links to external actors	In WPN the networks are more numerous than in LWP. WPN & LWP more formal ties than WPSE and LWPSE.
Investments	Region regarded as a "winner" in terms of national and EU investments	Region regarded as a "loser" in relation to national and EU investments	WP areas are the most receptors of investments
Community	Initial negative attitude towards EU membership. Dominance of left wing and social democrats in the municipal councils. Relatively 'closed' towards "the new" (ideas and outsiders – including foreigners)	A relative positive attitude towards EU membership. Diversified political majority in the municipal councils. Larger receptor of foreigners - clearer ethnical diversity	WPSE & LWPSE has a more outwards attitude and is ethnically and politically more diversified than in WPN & LWP.

Main Themes in explanation of DEP	North Sweden (Norra Norrland) (WPN & LWP)	Southeast Sweden (Sydöstra Sverige) (WPSE & LWPSE)	Regional Comparison
	<p>Natural resources, traditional economic structure and links of dependence</p> <p>Encompassing the region's traditional economic structure and historical links of dependence.</p> <p>Also involving differences in people's attitudes towards the region's economic potentialities that play a role to explain DEP through their efficiency in networking and draw investments to the area.</p>	<p>Independence, depopulation and entrepreneurship</p> <p>Involving three inter-related aspects: the region's location in relation to Sweden and EU (differences in accessibility to the study areas from urban centres and national markets) and its historical, political, religious and economic independence. Differences in the local culture that seems to influence entrepreneurship.</p>	<p>In WPN & LWP, the region's historical dependence on <i>Natural Resources</i> has determined its traditional <i>Economic structure</i> and dependence of central government and owners/shareholders outside the region (<i>Institutions</i>). In WPSE and LWPSE the traditional <i>Economic Structure</i> opens up to new ways to renew the local economy through the interplay of <i>Infrastructure</i>, <i>Community</i>, <i>Networks</i> and <i>Institutions</i>)</p>
	<p>Remoteness, chronic demographic unbalances and cultural and economic isolation</p> <p>Based on differences in migration dynamics, local culture (e.g., political beliefs) and local actor's role to organise themselves and resist against the constant imposed challenges.</p>	<p><u>Economic structure in transformation</u></p> <p>Focusing on the differences of: economic structure, institutional settings and networking. Also encompassing differences in migration dynamics and unemployment between the study areas.</p>	<p>The WPN & LWP's fragility in terms of chronic demographic unbalances (<i>Human Resources</i>) and remoteness led to differences in terms of <i>Institutional autonomy</i>, influencing on long run, <i>Community</i> and <i>Networks</i>. In WPSE & LWPSE, the historical, political, religious and economic independence has influenced the formation of <i>Institutions</i>, <i>Networks</i>, <i>Community</i> and <i>Investments</i>.</p>
	<p>History, values and self identity and entrepreneurship</p> <p>Encompassing differences in the local economic structure influence local culture and perception of entrepreneurship (the individualistic and cooperative mentality versus collectivism and working class culture).</p>	<p>Values, attitudes and local conflicts</p> <p>Focusing on differences in the relatively successful transference of culture/identity into new ways to renew the local economy (cultural industry and tourism).</p>	

5.2 SYNTHESIS

Natural resources have always been a more determining factor for the economy of North Sweden's than that of Southeast Sweden. North Sweden has an abundance of natural resources, mostly forestry, water and ore that is unchallenged by any other Swedish region. However, a large share of its territory is composed of reserves, protected rivers and forests that are still under-exploited for 'experience' tourism purposes.

Both study areas have problems in preventing their populations from simply moving away. This is a chronic problem in North Sweden that is particularly associated with extremely sparse and ageing populations; and it explains to a large extent the historical lack of economic dynamism in the region. The disadvantages in terms of **human resources** suffered by North Sweden can also be added to by the additional burden of having a relatively poorly educated labour force and the permanent out-flow of the young (female) labour force towards the larger regional centres, given the lack of available opportunities available to them.

Linked to these obstacles regarding human resources is the problem of 'peripherality' itself, something which fundamentally impacts upon both regions. Southeast Sweden has a larger and more diversified transport **infrastructure** than that of North Sweden, but both regions have problems with road network maintenance. The remoteness of North Sweden is a factor that plays against the transport infrastructure and directly affects the capacity of local enterprises to compete in national and international markets.

The traditional **economic structure** (highly dependent on exports) associated with a strong dependence on State activities as the source of employment made North Sweden more economically vulnerable than the Southeast region. Linked to this, Southeast Sweden's closeness to larger labour market areas, and to large regional university centres which allow for the integration of local labour markets into areas of 'greater economic dynamism' is one of the regions' major advantages.

Another factor which goes some way to explaining DEP is the disparities found in **funding or investment** for development purposes between the study areas. The North Sweden region can be regarded as a "winner" in terms of national and EU investment – but this also means that the region's links of dependence are stronger than those in the Southeast. Therefore, the role of **institutions** is also important in determining the flow of investment – in this sense, North Sweden has since the 1960's had a long tradition of being more apt to search for funds and consequently, of attracting more private investment. However, at the study area level, institutional barriers at the local and regional levels in North Sweden are perceived as larger than those in Southeast Sweden, which certainly creates obstacles for the region's development.

Differences in **community** values are also evident between the regions. Whilst Social Democrats and left wing politicians in municipal councils dominate North Sweden, a more diversified political majority is to be found in Southeast Sweden. This is followed by a strong negative-attitude towards EU membership in North Sweden and a relative positive-attitude in Southeast Sweden. The South-east region is also more diversified in terms of ethnic groupings. The label 'individualistic, co-operative behaviour' fits more comfortably into images of Southeast Sweden than it does in North Sweden, where a strong 'collectivistic consciousness' predominates. In general terms, Southeast Sweden has a more outward looking attitude, and is ethnically and politically more diversified than North Sweden.

An important point to make here is the fact that 'aspects of culture' *stricto sensu* and 'willingness to build **networks**' should be strongly related to economic performance, not in the *collective sense*, but rather in the *individual one* (*nodes* instead of *links*). It cannot be

denied that there are collective culture aspects that make people more willing to co-operate and to build networks in one particular area rather than in another. In the study areas, if this collective cultural behaviour exists, it is not strong enough or different enough from one area to another to play a leading role however in defining an area as a 'success' or as a 'failure'. The importance of local culture as an explanatory factor of DEP relies on a specific group of people that individually 'make the difference' to the area. They work in a more institutionalised fashion in North Sweden than they do in the Southeast, where traditional forms of networks still function (familiar, religious, etc) in combination with other *Institutions*. Thus, one can argue that the well performing areas have more individuals of this type than the lagging ones. In other words, there are small differences among certain individual's behaviour that, in combination with many other factors, have a synergic effect on the other factors contributing to the area's economic performance. And it is in this meaning that local culture (*Community*) plays a role in explaining DEP in this study.

5.3 RESEARCH IMPLICATIONS

Despite the success of the present research in identifying reasons for DEP at the study area level in Sweden, the need remains to perform a more detailed analysis (from the micro-perspective), perhaps at the municipal level. The Southeast study areas show that they were relatively heterogeneous even though they appeared to perform similarly in certain terms. This heterogeneity was a confusing factor when indicators were selected to try and identify differences in economic performance between study areas. Such detailed analysis should focus on undertaking a critical analysis of the depth of local entrepreneurial spirit in different types of rural areas, focusing on the conditions for business development in rural areas given employment reductions in traditional sectors of economy. There is also still a need for knowledge on the development of SMEs in more traditional sectors of rural areas where less is known about the development of business in areas that are undertaking the renewal process of their economic structures (for instance, by investing in the 'experience industry' or in IT-based sectors). Moreover there is also a need for future studies on the interdependencies between rural and urban areas.

DORA findings highlighted gender differences in the labour market of Swedish rural areas, in which women are often limited to activities within the public sector and men to mining, manufacturing and forestry industries often thought of, as being predominantly 'male-based' industries. Moreover, the way in which certain places can be dominated by 'a male culture' – a factor that contributes to 'keeping out' the female labour force, often simply persuades them to relocate to the larger regional centres searching for higher education for example. This is an issue that should be further assessed as a research topic in its own right. Further knowledge is also needed in assessing changes in gender roles given the structural adjustments that are taking place in certain Swedish rural areas (e.g., the enlargement of the Local Labour Market Areas). Still little is known about the obstacles that need to be removed in order to allow for similar mobility conditions to be secured for male and female members of the labour force.

The present study suggests that clusters of employment within the modern branches are relatively over-represented in parts of the lagging (Northern) areas, a fact that may reflect the effects of the regional policy measures towards decentralisation of R&D and post secondary education over the last two decades. This finding gives legitimacy to the importance of having oriented policy measures that foster localised learning in peripheral rural areas. Future studies should thus pay more attention to the role of having long-term policy strategies that enhance competitiveness, and promote linkages between private firms and the public sector (e.g., R&D institutions).

Findings show that the importance of culture as an explanatory factor of DEP relies, in the Swedish case, on a specific group of individuals that individually make 'the difference' to the area. Further research should focus on clarifying the importance of such "nodes"

(*eldsjälar*, in the Swedish case) that, in combination with other less tangible factors, have a synergic effect on contributing to the area's economic performance.

The analysis of factors such as the role of Community and Networks highlighted some specific areas of research that would benefit from further and/or deeper analysis. One such example is the impact of religious groups (*Laestadius church* in North Sweden or *Free churches* in Southeast Sweden) in building the values of local communities – an aspect that was perhaps not assessed deeply enough in the current study. Our forecast is however that a rapid development will occur concerning the impact of less tangible factors on DEP, not only in the identification of new factors, but also in the gathering of deeper knowledge about how such factors affect economic processes. In this context, it is important to be able to report on the positive experience gained by using an exploratory methodology of analysis that combines tangible and less tangible factors to explain DEP, as was done in the current research.

6. POLICY IMPLICATIONS

The analysis of the structure and the performance of rural areas in Sweden suggest that there exist a certain typology of such areas (Figure 53, Figure 54 and Figure 55). One dominating feature for these areas is that they, as well as most regions outside of the metropolitan regions, are in a varying state of steady depopulation. The reason for this is a negative natural reproduction rate and a net loss of migrants. Secondly, these areas are, to a varying extent, dominated by a sparse settlement pattern, of which the northern areas provide a particularly good example. Thirdly, whilst all study areas are located far from dynamic metropolitan regions, some of them – also the Northern ones - are located at the periphery of the country itself. The Southern areas are relatively closely located to the regional centres with higher education facilities and other services, as well as to the emerging new economy. These three varying features concerning the demographic and spatial structure of the rural areas are important to keep in mind when designing strategic policy recommendations for each of the study areas. The guiding principle is therefore that, in terms of creating a general policy for these regions, there is a need for flexibility and for the recognition of the importance of local influence.

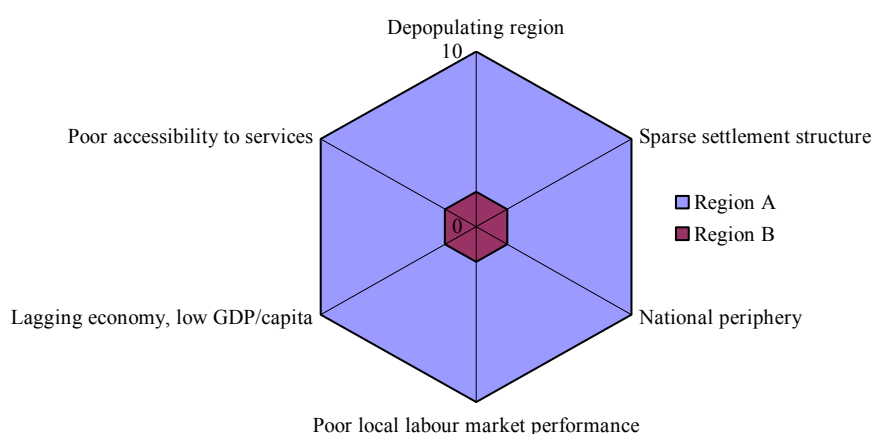


Figure 53 Towards a typology of rural areas in Sweden.

Depopulation is one of the most complicated problems to be addressed by policy-makers. This is most pronounced in the regions that already have a long history of population decline. In addition, an increasing proportion of labour demand will come from the ageing local population's need for basic services. Many small regions are facing the risk that more or less their entire future labour supply has to match jobs and positions offered in health care and social services for immediate local consumption. Besides the associated financial

problems, which have to be solved within the national welfare systems, we expect this development to become a challenge to both labour market and regional policy in the decades to follow.

We anticipate that in specific regions, the public sector will give priority to training, recruitment and motivating an increasing share of the local labour pool for this demographically determined welfare and service production. At the same time, this is likely to further reduce the local supply of labour for economic activities in the private sector. This clearly counteracts the regional policy goals stressing the importance of economic growth and well functioning local labour markets in all regions. Evidently, it has to be questioned whether the labour supply problem can be solved by traditional labour market mechanisms in these regions. It could thus be asked what are the available incentives to economic development and the restructuring of the economy in these regions, and which regions in particular are likely to experience a permanent shortage of labour due to the demographic structure of the local population?

Our call for flexibility in policy design and implementation will also increase the need for active and competent regional and local partnership. They have always had a key role in the proper implementation of regional and structural policies. It may however, be argued that in cases of depopulation the need for a regionally based understanding of the resources, problems and future possibilities will also be of importance. Policies need to address this and need to facilitate an active role for local and regional partnerships. Of course, a step towards a more active role for regional/local actors through different types of co-operation schemes has already been taken with the Proposal for the *Regional Growth Agreements - RGA*. All study areas are directly affected by the decisions made at the regional level focusing on the region's needs.

Flexibility is also needed when it comes to the measures themselves. Traditionally, regional policies in Sweden have tended to rely upon direct grants and operational aid. This may in some cases, when provided for by the guidelines for regional aid, be unavoidable. More emphasis could however in future, be placed on encouraging the active role of the private sector, a shift to loans instead of grants, and a more elaborate working partnership between the private and the public sectors. Moreover, such a shift in emphasis may provide a much-needed increase in the "leverage effect" of public spending (including transfers from the structural funds). The evolution of entrepreneurship, with the active use of start-up grants and other policy measures targeting the SME's will thus form an important part of such a shift in emphasis in terms of development strategies.

The analysis of the differing performances of the same rural study areas in Sweden suggests that there is at least a three-dimensional variation between the areas. *Firstly*, the economic performance measured in GDP or similar per capita terms, varies considerably, though this is predominantly due to the presence of valuable natural assets such as minerals and energy in some areas, rather than due to the productivity of the labour force and differing investment rates *per se* (e.g., Gällivare).

Secondly, the performance of the local labour market differs, whether this is measured as unemployment rates, or in terms of labour activation rates for different segments. However, it should also be noted that the national labour market policy levels out much of the variations measured this way, across local labour markets in Sweden. The differing rates of freedom of choice for the individual are subject to a larger variation, shown for instance by the fact that the public sector has a dominating role as an employer, particularly in the Northern regions, even in the well performing areas (e.g., Lycksele and Storuman). The size and diversity of the local labour market, which is very difficult to change by policy means is however decisive for freedom of choice at the individual level.

Thirdly, there are significant differences in the performance of the service infrastructure and supplies between the regions studied. This plays an important role in keeping people from re-locating. Again the Northern regions stand out as particularly vulnerable to cut backs in public services, and also in terms of having accessibility problems of a rather different magnitude to those of the Southeast regions. For the DORA study areas, findings show that there have been reductions of many basic services (schools, stores, pharmacies, and post offices) over the last few years. More than 60 per cent of pupils in the DORA study areas of Southeast Sweden have no more than 5 kilometres to travel school (junior high), whilst in North Sweden 20 percent of pupils have to travel more than 15 kilometres every day to school.

Given this three-dimensional specification of the performance, we suggest that a strategy for each of the regions have to take these differences into consideration.

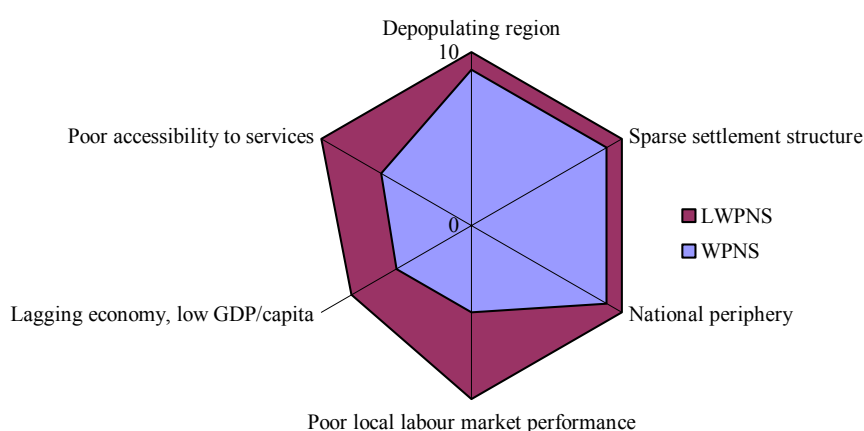


Figure 54 Tentative characteristics of Well and Less Well Performing area in Northern Sweden.

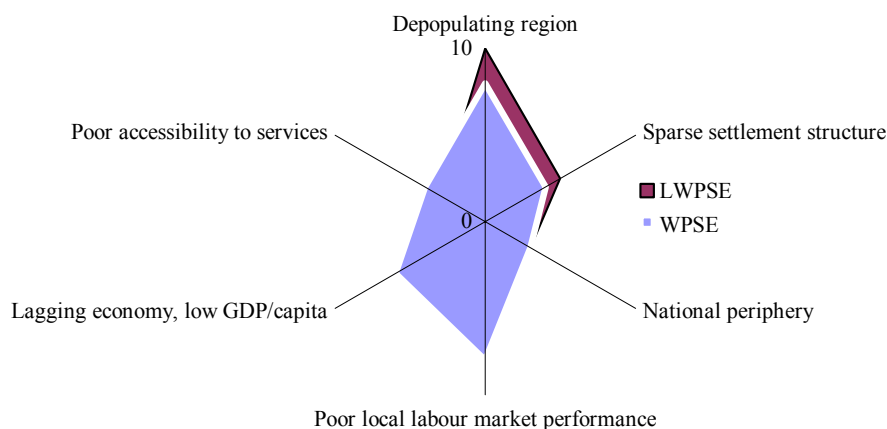


Figure 55 Tentative characteristics of Well and Less Well Performing areas in Southeast Sweden.

We suggest a dual regional policy design, with one set of measures aimed directly at encouraging economic growth and the better functioning of the regions, and another set aiming at the equalisation of living conditions for the population.

The first set of measures – for stimulating economic growth - consists of (a) structural efforts and (b) the stimulation of endogenous growth.

(a) The structural measures should be directly aimed at the improvement of accessibility through communications infrastructure. In the Southeast Sweden study areas the road infrastructure and the public transportation network should be of particular importance in such a strategy, in order to make possible the "enlargement" of the local commuting area and to get these rural regions into closer contact with regional centres with a much more varied labour market and modern industrial sectors within the new economy. This seems particularly important for the LWPSE, which is located in the periphery of the main road corridors. For sectors dependent upon satisfactory infrastructure for good transportation (such as, forestry based industry), maintenance of these existent networks is fundamental to the area's continuing development and competitiveness.

In Northern areas, this strategy has had a limited effect because of the long distances involved. Here, a modern ICT-infrastructure has to be created by means of public intervention. The future development of these regions into a modern knowledge based economy depends on the availability of modern technology to overcome geographical distances. Investment in such infrastructure projects may be an important element in a strategy for the development of regions facing depopulation. It may attract businesses by lowering their installation costs and thus enhancing the advantages of the region concerned. Investment in the telecommunications networks and educational facilities, as well as the existence of public services such as nurseries and hospitals may increase the possibilities of changing this negative trend. Perhaps most important is new investment, particularly in the LWPSE, which gives the signal to private capital that a firm decision has been taken that these regions will continue to be supported in future. The diffusion of broadband techniques, facilitating tele-medicine and 'distance learning' is associated with elements of this development. A step towards the use of IT in post secondary education has already started in most of the DORA municipalities – distance learning – helping to educate the labour force at the same time as diminishing daily commuting flows to regional centres, and keeping young people from leaving their original municipalities.

It is also important to develop a working relationship between the structural policies at the EU level, the national level and activities pursued at the regional level. The aim here should be to achieve complementarity between EU and national policies. This has to be addressed also through the adaptation of guidelines for regional policies and the increasing of the scope of national policies.

(b) The stimulation of endogenous factors should aim at improving the capacity of networks in the rural areas and those between rural and urban centres. These networks have to be built upon historical economic and cultural traditions, grounded in each of the study areas. The improvement of the competence of the workforce is of the utmost importance. As we have seen, one characteristic of regions facing depopulation is that the skilled and educated are the first to leave. It is thus important to provide opportunities to increase the competitiveness and competence of those who remain. Resources ought to be available for the diffusion of "best practices" and networking between regions. Community initiatives and innovative actions are important measures with a view to these needs.

We can see from the results of the DORA study cases the importance of *eldsjälar*, local enablers or ambassadors, individuals that engage in many activities, professionally and personally, promoting the development of rural communities. We could identify from our survey that they are politicians, leaders of local organisations, entrepreneurs, team leaders, citizens (and sometimes, they encompass all of these roles at the same time) that formally and informally network, establishing external contacts, which are fundamental to the local economy. As has already been proven elsewhere these individuals or groups are fundamental in keeping communities alive by organising themselves, fighting to keep schools and

traditional businesses open, and not least, increasing the quality of leisure time for the local population. *Folkrörelserådet – hela Sverige ska leva!* (Council of Peoples movement – the entire Sweden will survive!) Constitutes a good example of the extent of local power in these Swedish rural areas. Of particular importance however is their direct or indirect contribution to the local economy. They contribute to the reduction of the 'hidden' costs involved in the establishment of new businesses in the area, by facilitating legal and technical procedures for business start-ups, making arrangements for the necessary infrastructure needed for industrial locations and for opening up the channels of contact with other actors. These people who 'make the difference' seem to openly appear more often in well performing areas. Therefore, more value should be given to the role of these *eldsjälar* in these communities. In many of the municipalities visited, they were however not even recognised as resources. Policies should earmark resources for fostering contacts between local actors, co-operation between independent municipalities and partnership with other actors. There is also a need to support the capacity to build awareness amongst local planners and politicians, and particularly in LWP areas where this is lacking.

In the same vein, the notion of endogenous development through the 'learning region'-based strategy is also of vital importance. According to the ideas of the learning region, long-term competitiveness and prosperity depend upon the ability of businesses to engage in a constant process of learning and innovation. Such capabilities are best developed in the interaction within networks of businesses and organisations, embedded in a wider institutional and societal environment. Therefore, more importance should be given to policies directed at stimulating such environments, involving permanent measures for business renewal, job creation and labour force qualification. Recent examples of the renewal of the local economies in the DORA study areas are worth noting, and should be kept on a long-term basis. Investments on new or 'modern' branches should also be part of a new strategy for the economy of rural areas (see, for instance the case of the 'culture industry' in the LWPSE and the IT and pharmacy based industry in the LWPN).

The second element of the dual policy that we suggest, that is to say, measures to maintain the relatively equality of living conditions between regions, is deeply rooted in the Swedish welfare state tradition. The equality of living conditions includes transfers to local governments/municipalities for providing services, transfers to individuals for compensating low incomes and to alleviate other severe problems. A significant need also remains for better co-ordination of these efforts between the differing sectors. There is also a need for reorganisation and new technology used to be used in basic service provision, particularly to cut costs and to improve quality and accessibility. This is a major and challenging task in the remote and depopulated regions.

Implementation of this dual strategy should be done in a co-operative fashion between local/regional actors and the State (including its National Boards for sector policy implementation – roads, labour market, higher education, etc), in order to adapt to local conditions, that is to say, according to the type, tradition and characteristics of the rural areas under consideration.

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8. APENDICES

Appendix 1 - Common schedule

Vad tycker du är de viktigaste faktorerna som påverkar den ekonomiska utvecklingen i din region?

Näringslivets sammansättning

1. Vilka är de ledande företagen och branscherna i området? Var bor ägaren? Går verksamheten upp eller ner – varför?
2. I vilka branscher är den ekonomiska aktiviteten på uppåt- resp. neråtgående?
3. Grovt räknat, hur är fördelningen mellan stora, medelstora och små företag?
4. Skulle du säga att det finns många företag i nya branscher, t.ex. IT, här?
5. Ökar andelen hemarbete, distansarbete, etc.?
6. Är det många som startar eget här? Betyder det mycket för sysselsättningen?
7. Hur är de lokala företagen orienterade gentemot lokal, nationella och internationella marknader? Säljer företagen här i kommunen f.f.a. på Sverige eller på export?
8. Är många företag här underleverantörer?

Företagens försäljningsmöjligheter

1. Vilka tycker du är de främsta nackdelarna med detta område som marknad för varor och tjänster?
2. Har de lokala företagen nära till marknaderna för varor och tjänster?
3. Har kommunens och länsmyndighetens insatser påverkat: a) näringslivsutveckling?
b) bostadsmarknaden?
4. Är det god tillgång på mark för industri och bostadsbyggande här?
5. Påverkas regionens ekonomi av vem som äger marken i kommunen?
6. Har vägar och järnvägar byggts ut under senare tid? Är det bra?

Satsningar på företagsamhet, kommunikationer och vägar m.m.

1. Vilka är de stora investeringarna i regionen och var kommer de ifrån?
2. Har privata investeringar uppmuntrats genom regionalpolitik, subventioner eller stimulansåtgärder? Hur uppfattas EU:s och den nationella nivåns roller i detta avseende?
3. Hur snart kan kapital finnas tillgängligt för befintliga och nystartande företag – finns någon skillnad däremellan? Hur skulle hanteringen kunna förenklas när det gäller start av företag?
4. Byggs det tillräckligt med vägar etc. för att underlätta företagande, t.ex. turism?
5. Tror du att vägarna och järnvägarna i kommunen hämmar eller är bra för regionens utveckling?
6. I vilken utsträckning har tillgång till t.ex. Internet minskat beroendet av lokala resurser? Hur har detta påverkat näringslivet i kommunen?
7. Har användningen av IT och Internet inneburit att nya branscher eller produkter kommit fram i den här kommunen?
8. Tycker du att det är bra att man (t.ex. kommunen) investerar i kulturell verksamhet och fritidsaktiviteter? Varför?

Utbildning, initiativkraft och arbetsmarknad

1. Hur uppfattar du befolkningssammansättningen i kommunen jämfört med övriga Sverige (t.ex. ålder, kön, utbildningsnivå)?
2. Vilka flyttar ut?
3. I vilken utsträckning påverkar den lokala befolkningens ålders- och könsfördelningen områdets ekonomiska framgångar? I vilken utsträckning påverkar dessa drag skapandet av sysselsättning?
4. Hur ser pendlingsmönstret ut i och mellan kommuner i området?

5. Hur bedömer du utbildningsnivån hos dem som bor här? Är det sådan arbetskraft som efterfrågas här?
6. Är skolorna och vuxenutbildningen här väl anpassade till arbetsmarknaden här?
7. Hur tycker du att arbetsförmedlingen fungerar här?
8. Tycker du att reglerna för anställning och avskedande påverkar skapandet av nya jobb?
9. Upplevs lönebildningen som problematisk av lokala företagare?
10. Tycker du att dagens arbetsmarknadspolitik fungerar bra i syfte att skapa sysselsättning och minska arbetslösheten inom utsatta grupper? Varför/varför inte?

Myndigheternas verksamhet

1. Tror du att näringslivet i den här kommunen skulle klara sig bättre om kommunen, i stället för staten, fick större befogenheter?
2. I vilken grad samarbetar lokala offentliga organisationer för ekonomisk utveckling?
3. Hur tycker du att kommunens politiker och tjänstemän fungerar här?
4. (Frågan ställs till kommunens tjänstemän): Vilka ekonomiska eller andra kvantitativa mål finns för kommunens verksamhet?
5. Hur effektivt fungerar kommunens verksamhet i förhållande till lokala önskemål och behov? Ge exempel.
6. Skulle du säga att kommunens tjänstemän är flexibla utifrån sitt regelverk eller är de riktiga byråkrater?
7. Tar kommun och länsmyndighet tillräcklig hänsyn till befolkningen när det gäller att satsa på att skapa jobb och inkomst i den här kommunen?
8. Har du sökt ekonomiskt stöd för din lokala verksamhet? (i så fall: berätta mer). Hur upplever du hanteringen? (t.ex. lång tid, krångligt)
9. Hur effektivt använder den här kommunen sina pengar?
10. Är de lokala aktörerna, t.ex. kommunen, effektiva i arbetet att skaffa finansiering till projekt i kommunen, både offentligt och privat?

Nätverk

1. Finns informella kanaler för informationsutbyte mellan företagare och tjänstemän? Hur viktigt är detta för den ekonomiska utvecklingen lokalt?
2. Tror du att formella relationer mellan lokala företagare spelar en betydelsefull roll för driften av företagen? Leder formella relationer (t.ex. företagareföreningar) någonsin till informella kontakter som kan påverka affärerna?
3. Vad betyder medlemskap i föreningar och annat informellt samspel för affärsmässiga syften?
4. Tror du att lokala affärs-/tjänstemän i den här kommunen utnyttjar personliga relationer för att lära känna framtida anställda/leverantörer/kunder?
5. I vilken utsträckning utnyttjar affärsmän formella eller informella förbindelser med organisationer och nätverk i andra delar av världen?
6. Har tillgång till t.ex. Internet stimulerat utvecklingen av nytänkande, ökat utbyte etc.?
7. Hur pass etablerat är användandet av Internet och e-mail i de lokala företagen?
8. Använder du själv Internet för handel, har du din egen websida etc.?
9. Finns en tendens till att företagare identifierar framtida anställda, leverantörer och kunder via globala nätverk? Minskar detta deras beroende av lokala band?
10. Träffas nyckelpersoner i lokala grupper/föreningar och myndigheter ofta? Vilket resultat ger detta?
11. (Frågan ställs till personer inom förvaltning): Vilken roll spelar de lokala grupperna för livskvalitet och lokal utveckling?
12. (Frågan ställs till lokala grupper): Hur ser ni på förvaltningen? (t.ex. samarbete, lokaler)

Naturmiljö och råvaror

1. Hur skulle du jämföra naturresurserna här med andra regioner? Ge exempel.
2. Är naturresurserna viktiga för näringslivet i kommunen?
3. Vilken, tycker du, är regionens främsta naturresurs ekonomiskt sett? Marknadsförs (saluförs) den på rätt sätt?
4. Vem tjänar på att regionens naturresurser är tillgängliga och av hög kvalitet?
5. Används naturresurserna på ett mer kreativt sätt idag jämfört med tidigare?
6. Hur stor del av regionen består av naturskyddade områden? Håller dessa områden tillbaka den ekonomiska utvecklingen eller utgör de en möjlig ekonomisk resurs?
7. Tycker du att miljölagstiftningen hindrar eller främjar den lokala ekonomiska utvecklingen? Finns det t.ex. reningskrav inom industrin?
8. Tycker du att miljökraven är ett problem i förhållande till effektiv användning och marknadsföring av naturresurser? Ge exempel.

Lokala traditioner

1. Vad skulle du kalla dig själv ("etikett") om någon utomstående frågade (t.ex. smålänning, hultsfredsbo, kronobergare)? Finns det en stark känsla av lokal identitet här? Vad identifierar man sig med i allmänhet?
2. Vilka traditioner framhålls som det lokala arvet? Är kulturell marknadsföring betydelsefull för ekonomisk utveckling?
3. Räkna upp de produkter som kan sägas anspela på lokala traditioner, historia och naturmiljö?
4. Hur relaterar befolkningen den lokala ekonomin till områdets historia och traditioner generellt sett?
5. Vilka kulturella aktiviteter drar till sig det största stödet och spelar dessa någon roll i den ekonomiska utvecklingen (t.ex. Hultsfredsfestivalen)?
6. Vilka religiösa grupper finns lokalt? Finns några med rykte om sig att vara mer ekonomiskt framgångsrika än andra och varför?
7. Är religion en faktor som påverkar enigheten lokalt och dess förmåga att koordinera med ekonomiska motiv?
8. Vilka lokala media (t.ex. tidningar, TV) ger uttryck för lokalsamhället och identiteten och vilken roll spelar de för att främja ekonomin?
9. Vilka förutfattade meningar tycker du finns hos utifrån kommande personer och hur väl stämmer dessa överens med verkligheten?

Livskvalitet

1. Hur skulle du rangordna följande i relation till vad som gör regionen attraktiv för dig personligen?
 - a. hälsa och säkerhet
 - b. fysisk miljö
 - c. möjligheter till fritidssysselsättning
 - d. ekonomiska möjligheter
 - e. kultur/identitet
 Tror du att många andra delar din uppfattning i detta avseende?
2. Vad betyder den lokala naturmiljön för dig?
3. Finns stora skillnader i människors inkomst här i trakten och på vilket sätt påverkar det deras val (av t.ex. bostad, skola)?
4. Hur skulle du beskriva levnadsstandarden i detta område jämfört med andra inom regionen?
5. Finns någon källa till konflikt mellan olika grupper eller intressen i området?
6. Vilken sorts personer flyttar in och ut från denna region? Är det bra eller dåligt för ekonomin? Hur ser relationerna ut mellan befintlig befolkning och nyinflyttade? Föreligger några konflikter?
7. Hur stor andel av befolkningen består av invandrare eller nyinflyttare?
8. Vilka skillnader ser du i sysselsättning och inkomst mellan befintlig befolkning, invandrare respektive nyinflyttade i regionen? Vilka, av befintlig befolkning och nyinflyttade, tar initiativ till nya aktiviteter?

1) När det gäller service: hur nöjd är du med tillgången till...? (sätt kryss)

	Nöjd	Ganska nöjd	Varken eller	Missnöjd
Butiker/affärer				
Apoteket				
Bank				
Postkontor				
Skolor				

Vi skulle vilja att du, mot bakgrund av vad vi redan diskuterat, själv fyller i dina svar på följande frågor:

2a) Markera de tre faktorer, positiva eller negativa, som du anser ha varit viktigast för ekonomisk framgång i ditt område de senaste 20 åren. Sätt 1 på den faktor du anser viktigast, 2 på den näst viktigaste och 3 på den tredje viktigaste faktorn.

b) Sätt +/- beroende på om de markerade faktorerna i uppgift a var positiva eller negativa (d.v.s. om de var en styrka eller svaghet i området).

c) Markera fem faktorer som skulle behöva mer uppmärksamhet från myndigheter i framtiden. Rangordna från 1-5 där 1 har högst prioritet.

	Se uppgift a (rangordna 1-3)	Se uppgift b (+/-)	Se uppgift c (rangordna 1-5)
Naturmiljö och råvaror			
Utbildning, initiativkraft och arbetsmarknad			
Kommunikationer och vägar m.m.			
Satsningar på företagsamhet			
Näringslivets sammansättning			
Företagens försäljningsmöjligheter			
Myndigheternas verksamhet			
Nätverk			
Lokala traditioner			
Livskvalitet			

3. Tror du att handlingskraften och motivationen hos lokalbefolkningen spelar

mer *lika* *mindre*

roll än de befintliga resurserna? (stryk under)

4. Dra streck mellan faktorer som, enligt din uppfattning, har ett samband i kommunen. Rangordna genom att göra tjockare streck ju starkare samband.

Naturmiljö och råvaror
Utbildning, initiativkraft och arbetsmarknad
Vägar, kommunikationer m.m.
Satsningar på företagsamhet
Näringslivets sammansättning
Företagens försäljningsmöjligheter
Myndigheternas verksamhet
Nätverk
Lokala traditioner
Livskvalitet

Naturmiljö och råvaror
Utbildning, initiativkraft och arbetsmarknad
Vägar, kommunikationer m.m.
Satsningar på företagsamhet
Näringslivets sammansättning
Företagens försäljningsmöjligheter
Myndigheternas verksamhet
Nätverk
Lokala traditioner
Livskvalitet

5. Vilken av följande beskrivningar passar, enligt din uppfattning, in på din kommun? (markera med kryss till höger, vänster eller mitten)

Rik		Fattig
Uppgång		Nedgång
Vacker		Vanlig
Vänlig		Ovänlig
Spännande		Tråkig
Hemma		Fly
Välstyr		Dåligt styrt
Integrerat		Uppdelat
Modernt		Gammaldags
Oberoende		Beroende

6. Personlig information

a) Sysselsättning/befattning: _____

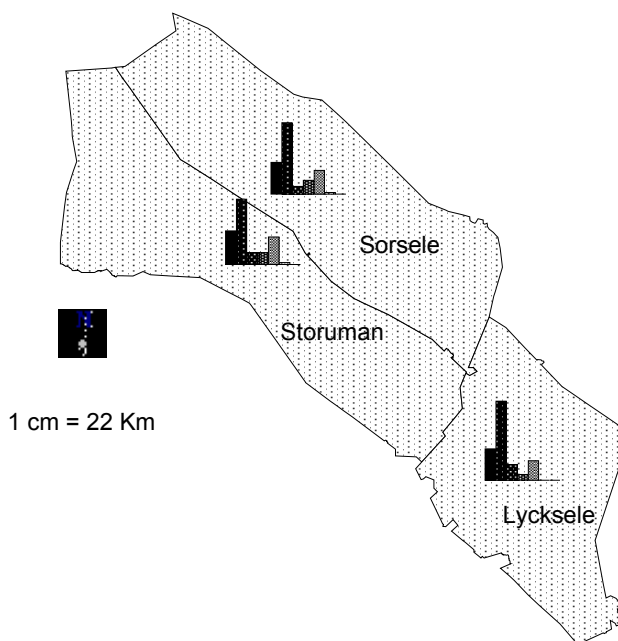
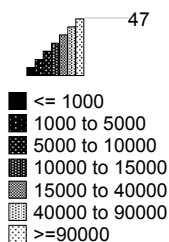
b) Ålder (stryk under): under 20 20-35 36-55 över 55 år

c) Hur många år har du bott i kommunen? _____

Appendix 2 – Accessibility to basic services
Pharmacy in North Sweden

Well performing

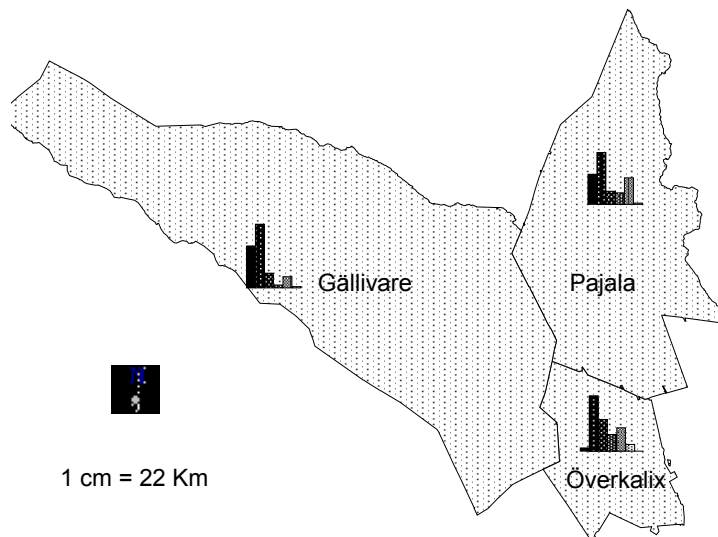
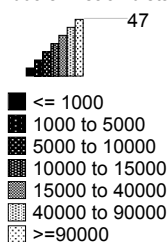
Accessibility to Pharmacy 1999
% of individuals in each distance class



Classes (meters)	Total population 1996/1998	Percentage of Population having access to Pharmacy 1996/1999	Accumulated Percentage
<= 1000	5444/5108	22/22	22/22
1000 to 5000	12021/11534	49/49	71/71
5000 to 10000	1843/1996	8/8	79/79
10000 to 15000	1500/1449	6/6	85/85
15000 to 40000	3381/3542	15/15	100/100
40000 to 90000	109/97	0/0	
>=90000	0/5	0/0	
	24298/23732	100/100	

Less well performing

Accessibility to Pharmacy 1999
% of individuals in each distance class

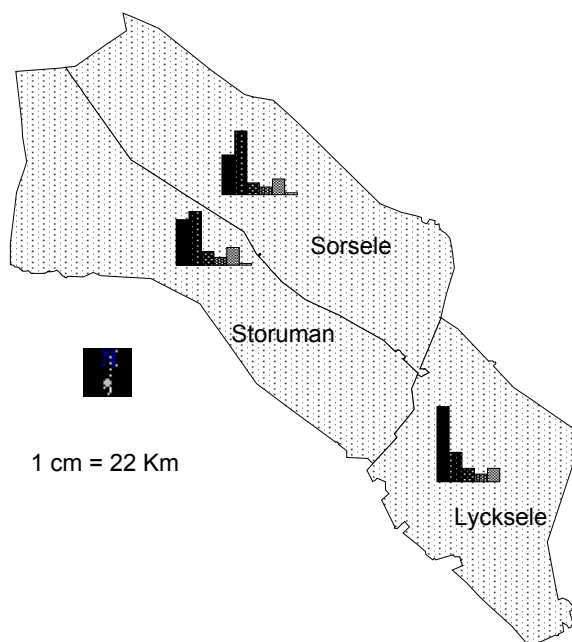
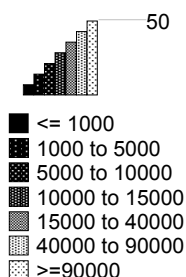


Classes (meters)	Total population 1996/1998	Percentage of Population having access to Pharmacy 1996/1999	Accumulated Percentage
<= 1000	8248/8253	24/25	24/25
1000 to 5000	16781/14543	49/44	73/69
5000 to 10000	4057/3962	12/12	85/81
10000 to 15000	1899/1556	6/5	91/86
15000 to 40000	3010/4221	9/13	100/99
40000 to 90000	100/392	0/1	100/100
>=90000	0/2	0/0	
	34107/32929	100/100	

Accessibility to stores – North Sweden

Norra Norrland - Well performing

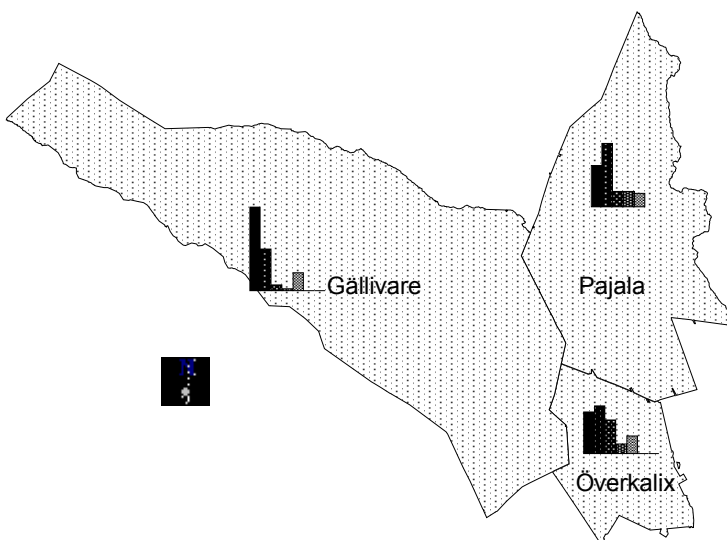
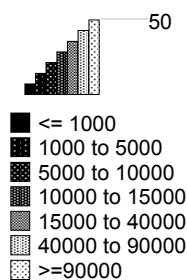
Accessibility to Stores 1998
% of individuals in each distance class



Classes (meters)	Total population 1996/1998	Percentage of Population having access to Stores 1996/1998	Accumulated Percentage
≤ 1000	5768/10502	24/44	24/44
1000 to 5000	13154/7056	54/30	78/74
5000 to 10000	2162/2880	9/10	87/84
10000 to 15000	1448/1235	6/5	93/89
15000 to 40000	1680/2562	7/11	100/100
40000 to 90000	86/91	0/0	
≥90000	0/0	0/0	
	24/298/23726	100/100	

Less well performing

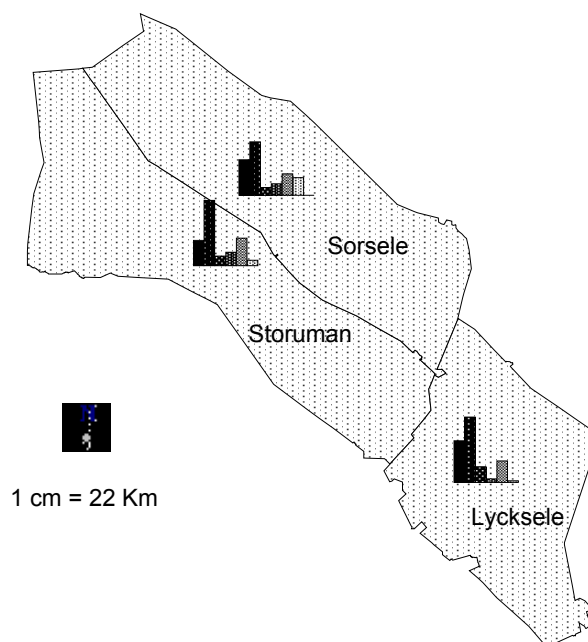
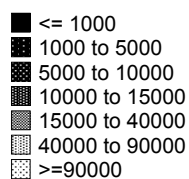
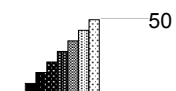
Accessibility to Stores 1998
% of individuals in each distance class



Classes (meters)	Total population 1996/1998	Percentage of Population having access to Stores 1996/1998	Accumulated Percentage
≤ 1000	8103/14784	24/45	24/45
1000 to 5000	19256/10236	56/31	80/76
5000 to 10000	3255/2662	10/8	90/84
10000 to 15000	1636/1469	5/4	95/88
15000 to 40000	1769/3698	5/12	100/100
40000 to 90000	75/78	0/0	
≥90000	1/2	0/0	
	/32920	100/100	

North Sweden - Well performing

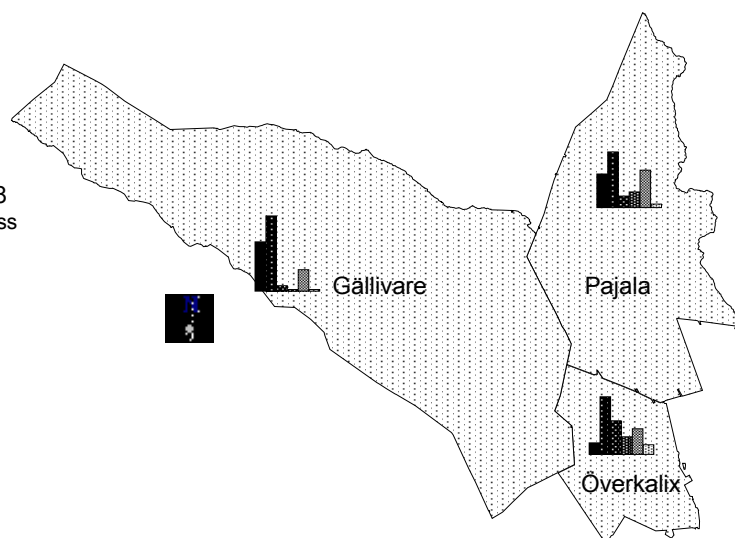
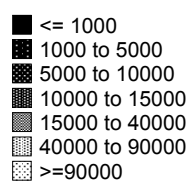
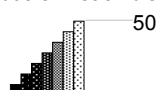
Accessibility to Post Office 1998
% of individuals in each distance class



Classes (meters)	Total population 1996/1998	Percentage of Population having access to Post office 1996/1998	Accumulated Percentage
<= 1000	4841/5785	20/24	20/24
1000 to 5000	9820/10030	40/42	60/66
5000 to 10000	2039/2053	8/9	68/75
10000 to 15000	845/1309	4/6	72/81
15000 to 40000	5130/3765	21/16	93/97
40000 to 90000	1524/774	7/3	100/100
>=90000	0/10	0/0	
	24298/23726	100/100	

Less well performing

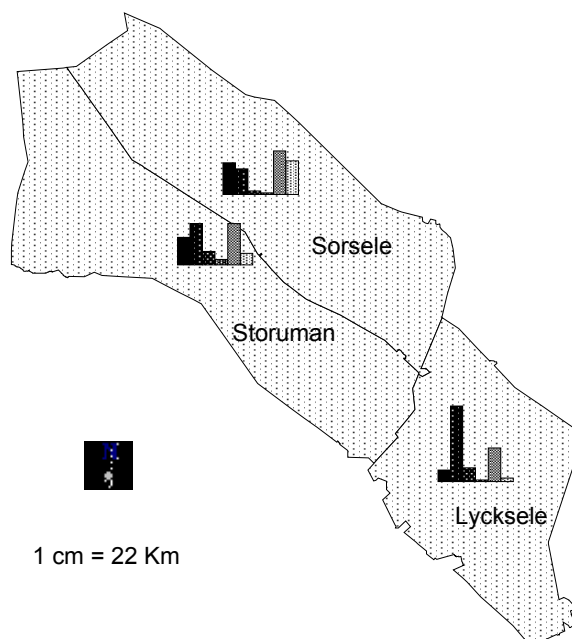
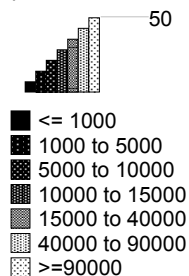
Accessibility to Post Office 1998
% of individuals in each distance class



Classes (meters)	Total population 1996/1998	Percentage of Population having access to Post office 1996/1998	Accumulated Percentage
<= 1000	8684/8729	25/27	25/27
1000 to 5000	16445/14363	48/44	73/71
5000 to 10000	2396/2474	7/8	80/79
10000 to 15000	1559/1425	5/4	85/83
15000 to 40000	4430/5401	13/15	98/98
40000 to 90000	580/535	2/2	100/100
>=90000	1/2	0/0	
	34095/32929	100/100	

North Sweden - Well performing

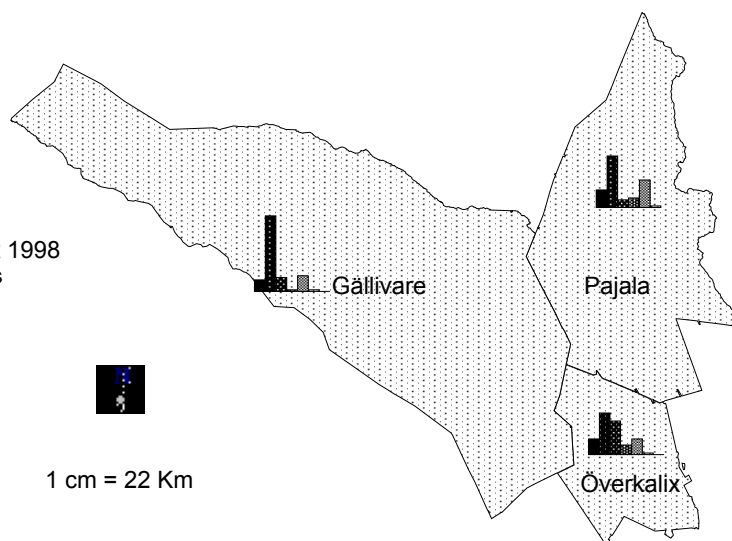
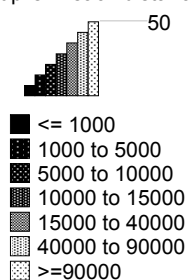
Accessibility to School - Högstadiet 1998
% of pupils in each distance class



Classes (meters)	Total population 1996/1998	Percentage of pupils having access to School - Högstadiet 1996/1998	Accumulated Percentage
<= 1000	99/123	10/14	10/14
1000 to 5000	428/361	45/41	55/55
5000 to 10000	72/80	8/9	63/64
10000 to 15000	26/19	3/2	66/66
15000 to 40000	241/232	26/26	92/92
40000 to 90000	78/65	8/8	100/100
>=90000	0/0	0/0	
	944/880	100/100	

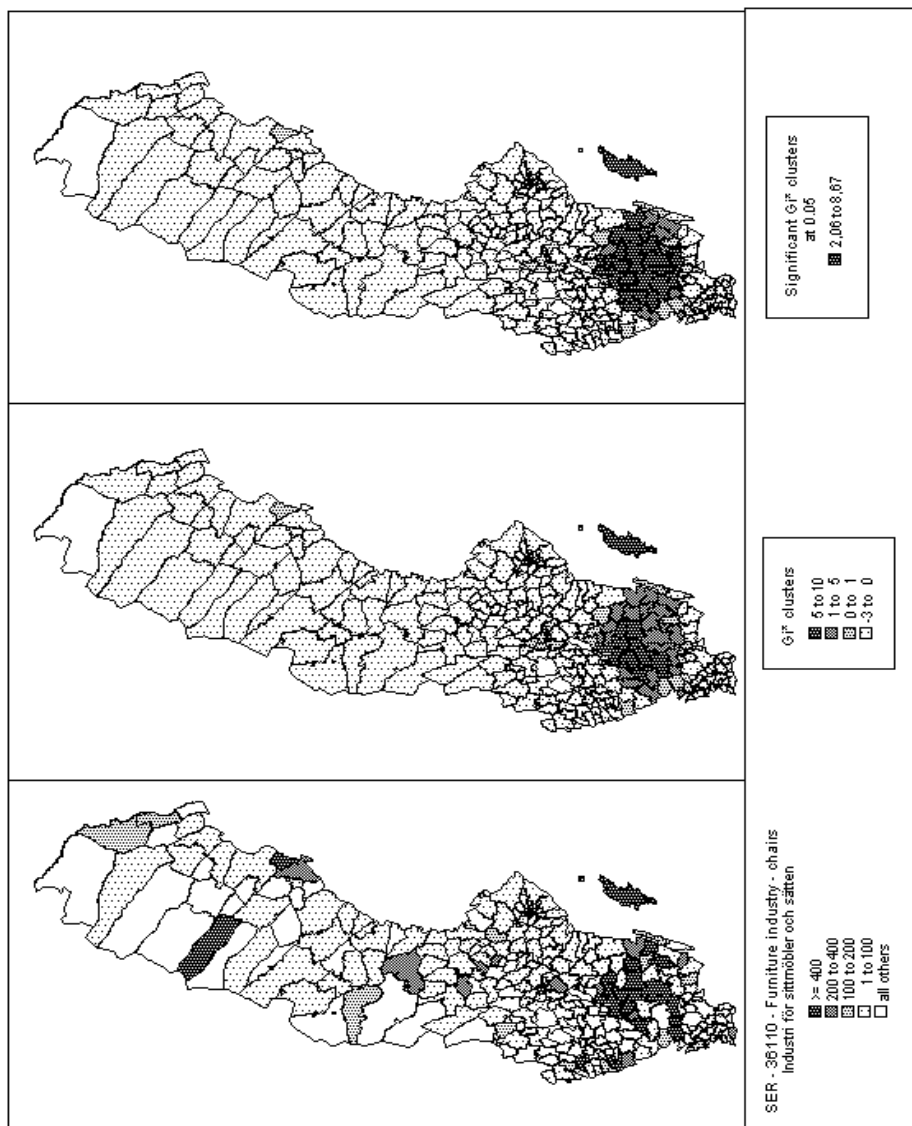
Less well performing

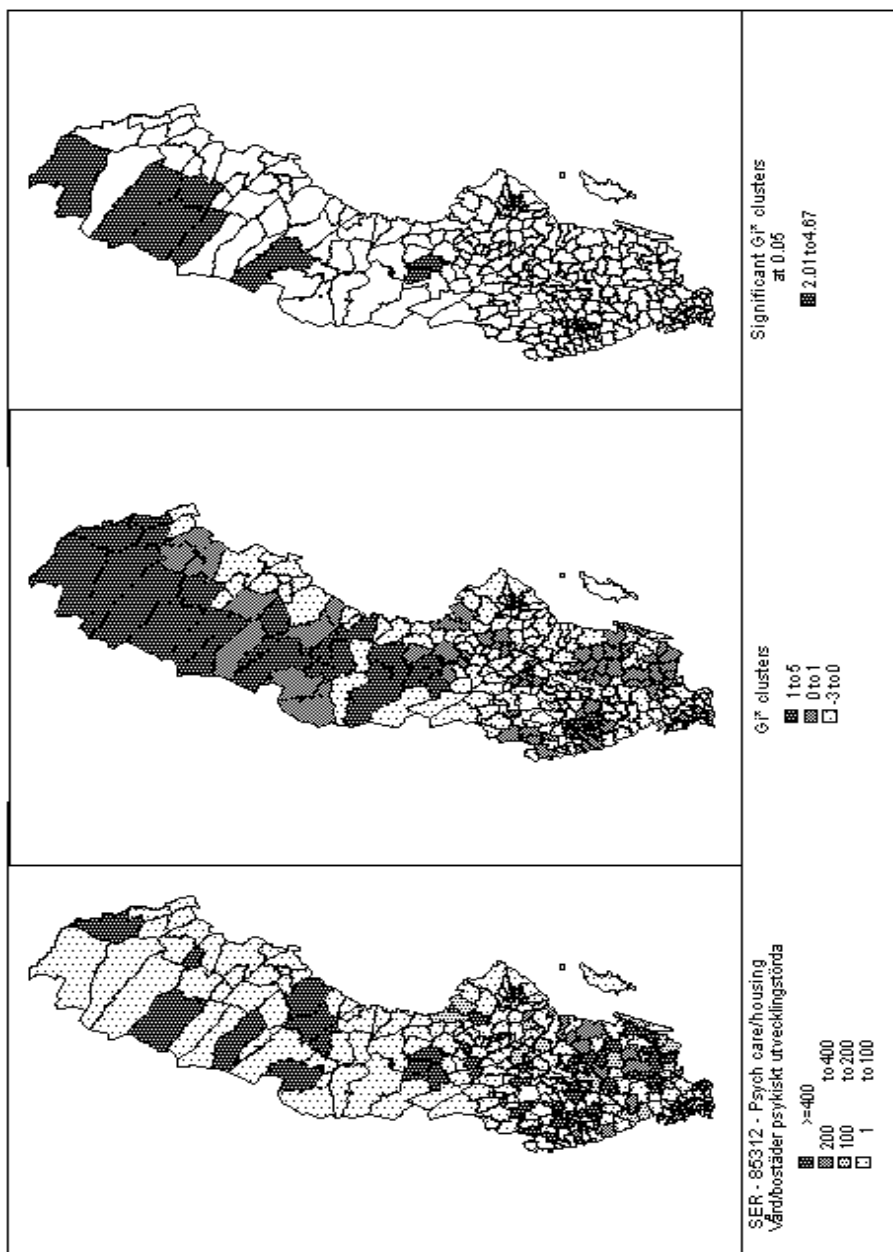
Accessibility to School - Högstadiet 1998
% of pupils in each distance class

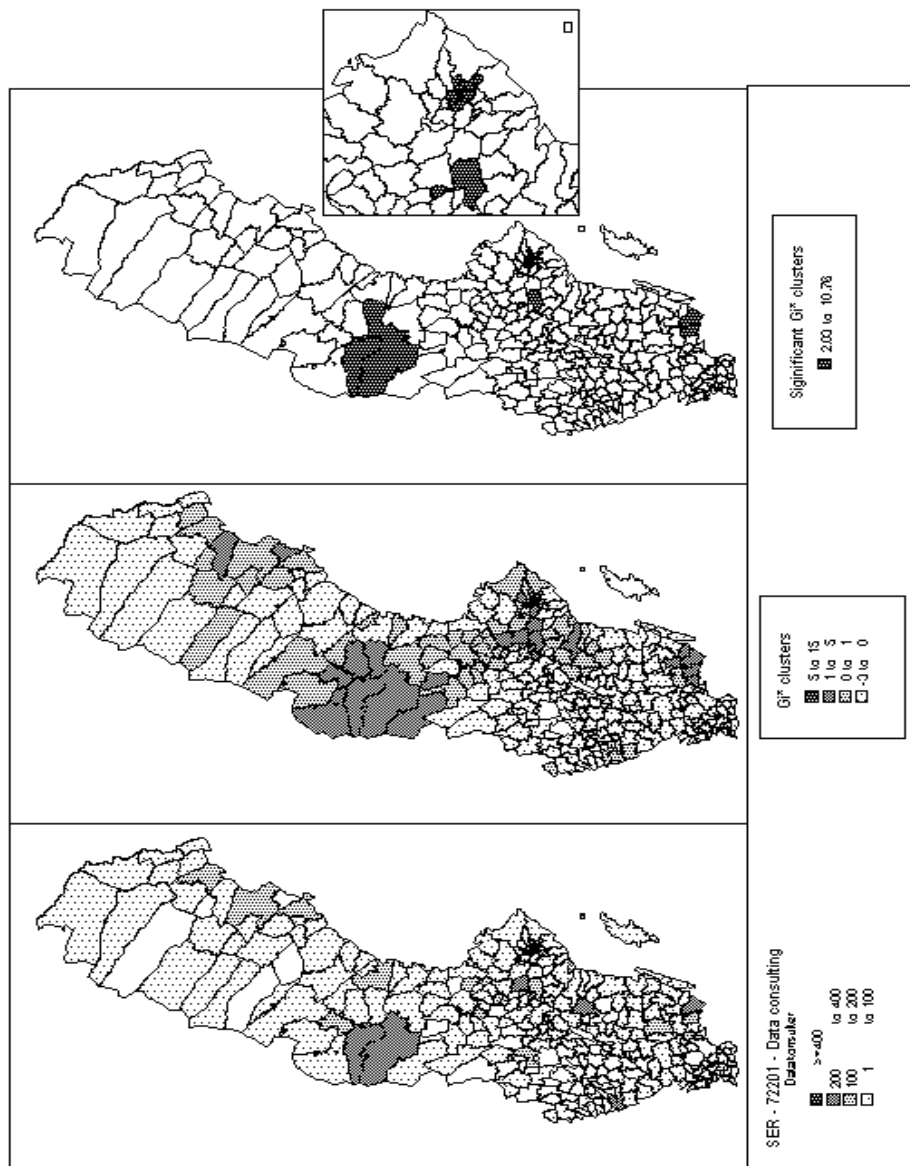


Classes (meters)	Total population 1996/1998	Percentage of pupils having access to School - Högstadiet 1996/1998	Accumulated Percentage
<= 1000	132/130	12/12	12/12
1000 to 5000	634/606	56/55	68/67
5000 to 10000	136/145	12/13	80/80
10000 to 15000	47/41	4/4	84/84
15000 to 40000	158/172	14/15	98/99
40000 to 90000	21/12	2/1	100/100
>=90000	0/0	0/0	
	1128/1106	100/100	

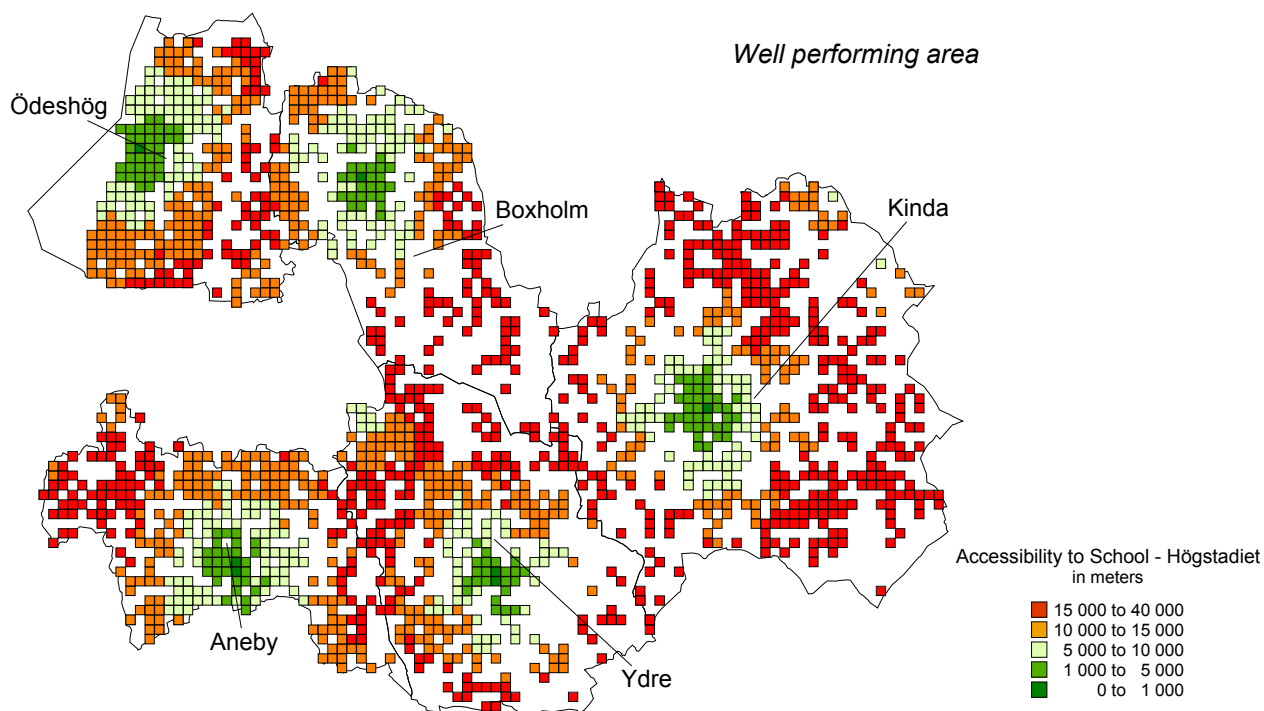
Appendix 3 – Clusters of traditional and modern branches: examples



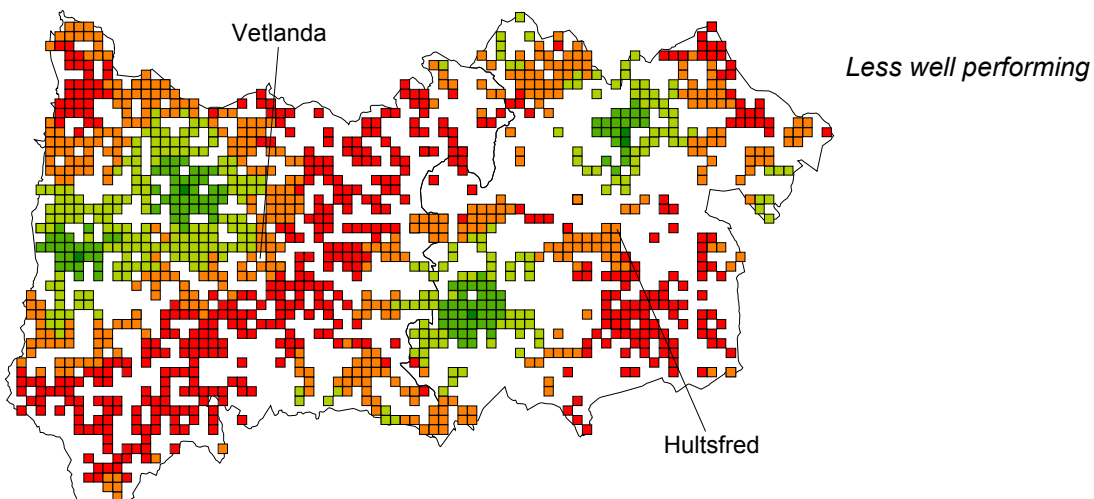




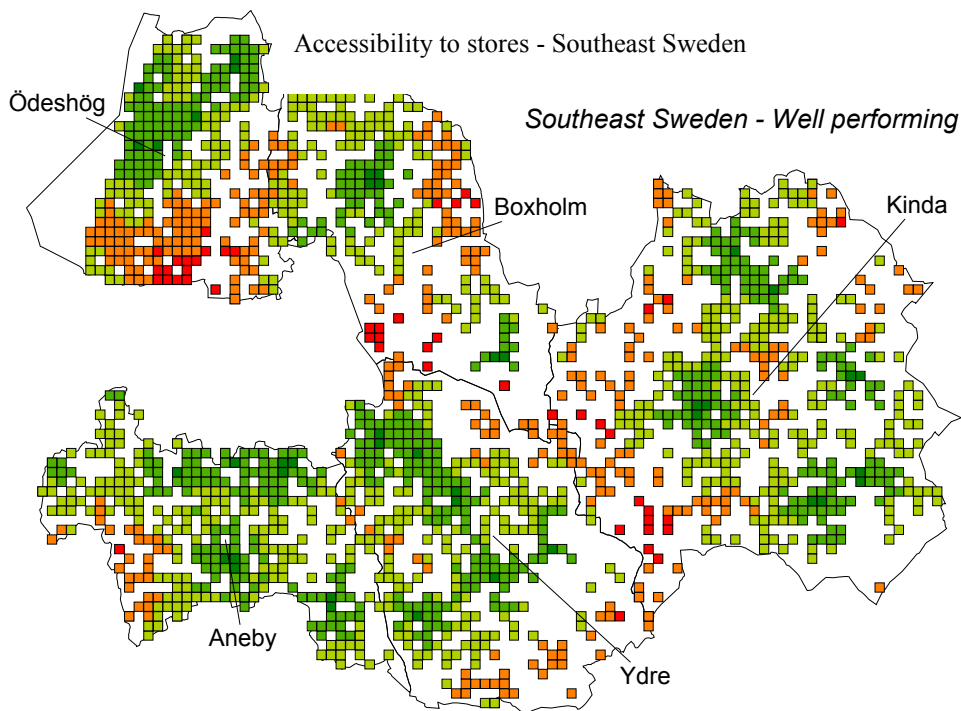
Appendix 4 – Accessibility to basic services in SE Sweden
Schools (Junior high)



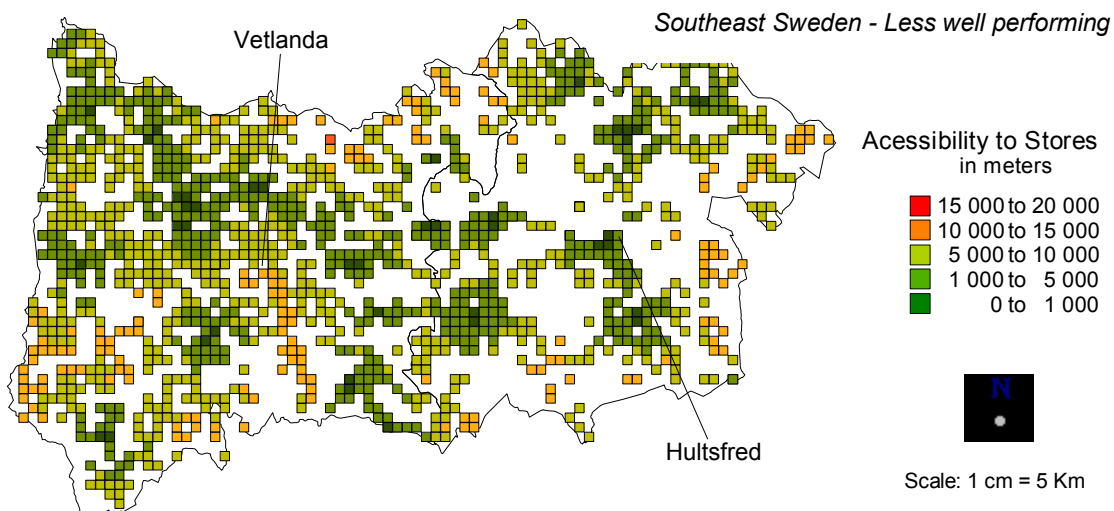
Classes (meters)	Total population 1996/1998	Total cells 1996/1998	Percentage of pupils having access to school – Högstadiet 1996/1998	Accumulated percentage
≤ 1000	152/154	8/9	12/12	12/12
1000 to 5000	434/440	177/162	34/33	46/45
5000 to 10000	164/187	345/350	13/14	59/59
10000 to 15000	216/233	593/597	17/17	76/76
15000 to 40000	303/302	667/675	24/24	100/100
	1269/1316	1790/1793	100/100	



Classes (meters)	Total population 1996/1998	Total cells 1996/1998	Percentage of pupils having access to school – Högstadiet 1996/1998	Accumulated percentage
≤ 1000	78/128	4/5	5/8	5/8
1000 to 5000	708/706	122/121	48/44	53/53
5000 to 10000	195/194	300/281	13/12	66/65
10000 to 15000	300/344	458/472	20/21	80/86
15000 to 30000	202/238	383/485	14/15	100/100
	1.483/1.610	1.267/1.364	100/100	

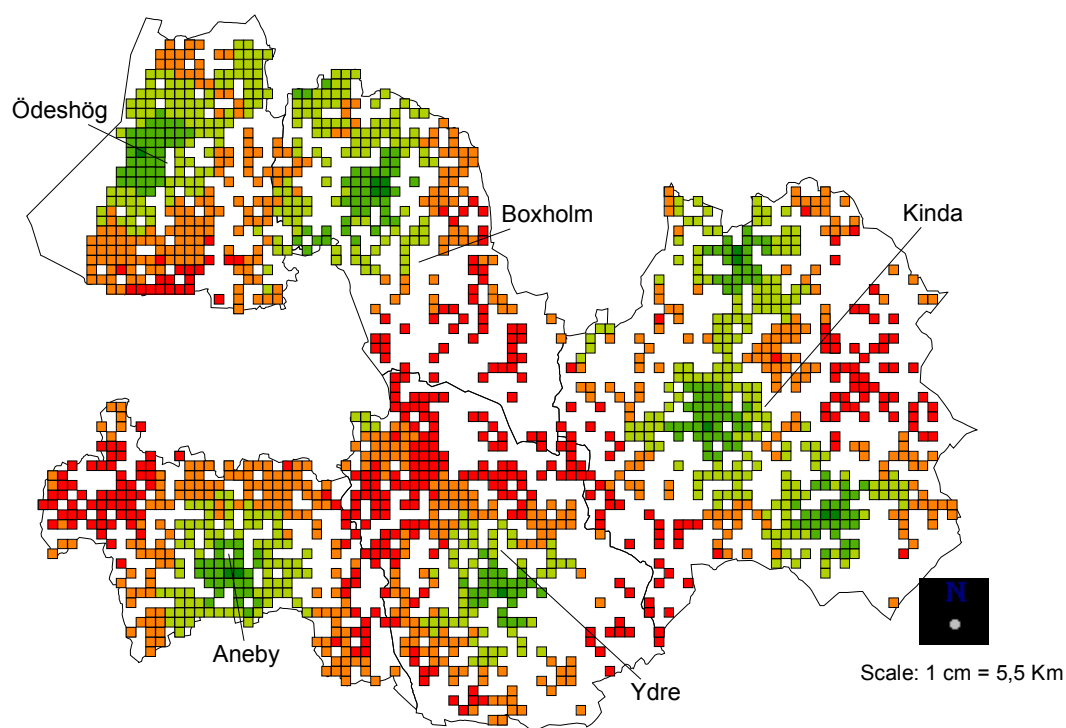


	Total population 1996/1998	Total cells 1996/1998	Percentage of population having access to stores 1996/1998	Accumulated percentage
<i><= 1000</i>	10208/13057	45/47	31/40	31/40
<i>1000 to 5000</i>	15775/11508	594/1788	47/35	78/75
<i>5000 to 10000</i>	5626/5831	824/773	17/18	95/93
<i>10000 to 15000</i>	1436/1811	292/358	4/6	99/99
<i>15000 to 20000</i>	135/227	32/50	1/1	100/100
	33180/32434	1789/1790	100/100	

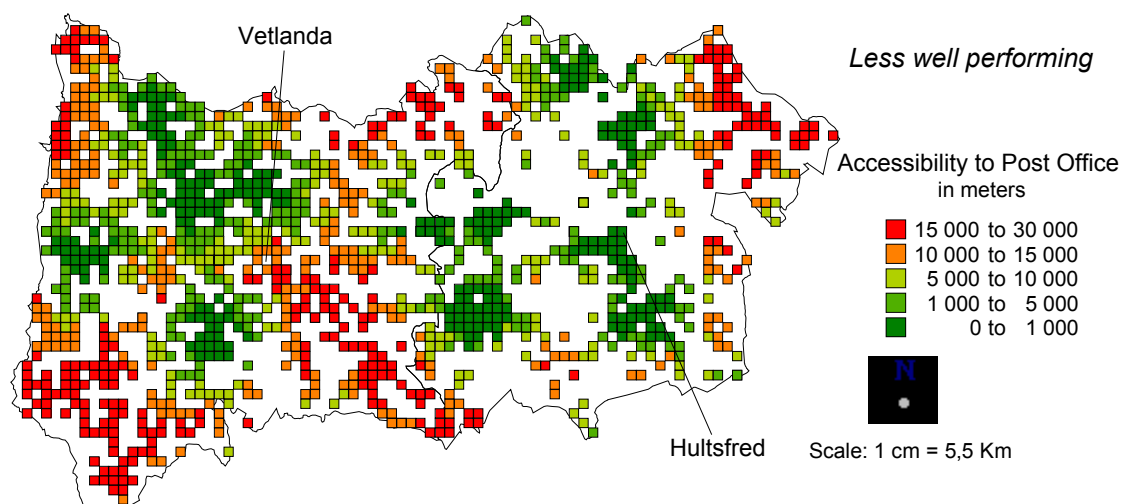


Classes (meters)	Total population 1996/1998	Total cells 1996/1998	Percentage of population having access to stores 1996/1998	Accumulated percentage
<i><= 1000</i>	7187/17402	37/45	16/41	16/41
<i>1000 to 5000</i>	30543/19491	529/519	70/46	86/87
<i>5000 to 10000</i>	5116/4947	641/637	12/11	98/98
<i>10000 to 15000</i>	1093/910	172/161	2/2	100/98
<i>15000 to 20000</i>	0/1	0/1	0/0	100
	43939/42751	1378/1363	100/100	

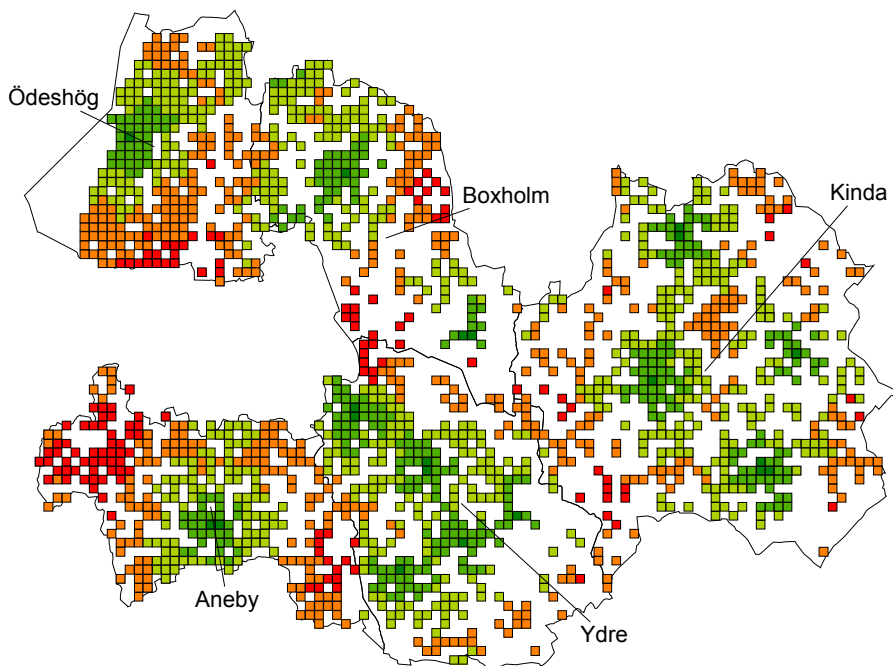
Southeast Sweden - Well performing



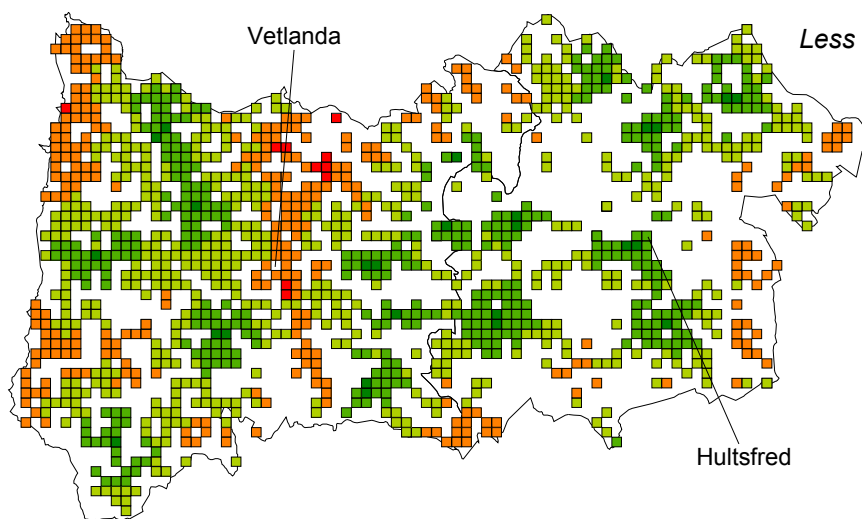
Classes (meters)	Total population 1996/1998	Total cells 1996/1998	Percentage of population having access to post office 1996/1998	Accumulated percentage
≤ 1000	9144/8685	17/17	27/27	27
1000 to 5000	10489/10361	237/231	32/32	59
5000 to 10000	5932/5907	532/533	18/18	77
10000 to 15000	5253/5118	613/617	16/16	93
15000 to 30000	2362/2363	389/392	7/7	100
	33180 / 32434	1788 / 1790	100/100	



Classes (meters)	Total population 1996/1998	Total cells 1996/1998	Percentage of population having access to post office 1996/1998	Accumulated percentage
≤ 1000	9520/9317	17/17	22/22	22
1000 to 5000	25069/24336	326/324	57/57	79
5000 to 10000	5015/4913	543/541	11/11	90
10000 to 15000	3303/3330	379/379	8/8	98
15000 to 30000	1032/855	114/102	2/2	100
	43939/42751	1378/1363	100/100	



Classes (meters)	Total population 1996/1998	Total cells 1996/1998	Percentage of population having access to pharmacy 1996/1999	Accumulated percentage
≤ 1000	10.067/8.047	24/23	30/25	30/25
1000 to 5000	11.589/13.144	359/358	35/41	65/66
5000 to 10000	6.898/6.614	708/696	21/20	86/86
10000 to 15000	3.755/3.800	529/566	11/12	97/98
15000 to 30000	871/829	169/147	3/2	100/100
	33.180/32.434	1.789/1790	100/100	



Less well performing

Accessibility to Pharmacy

- 15 000 to 30 000
- 10 000 to 15 000
- 5 000 to 10 000
- 1 000 to 5 000
- 0 to 1 000



Scale: 1 cm = 5 Km

Classes (meters)	Total population 1996/1998	Total cells 1996/1998	Percentage of population having access to pharmacy 1996/1999	Accumulated percentage
≤ 1000	10671/8774	31/28	24/20	24/20
1000 to 5000	24507/25297	487/401	56/59	80/79
5000 to 10000	7091/6008	639/616	11/14	91/93
10000 to 15000	1620/2598	213/3109	8/6	99/99
15000 to 30000	50/74	9/10	1/1	100/100
	4339/42751	1369/1369	100/100	

Appendix 5 – National Media on rural areas in Sweden

Stasminister Göran Persson talar med Agneta Wanhatala från Aapua i Tornedalen. Hon har rest 90 mil ner till Landsbygdsriksdagen i Östersund tillsammans med grannarna för att protestera mot nedläggning av skolorna. FOTO: STEFAN AHLBOM

Byn dör om skolan stängs

Landsbygdsriksdagen. Långväga uppvaktning lyckades inte utverka några löften av statsministern.

Av Annika Carlsson

ÖSTERSUND. Billi Clinton, Lionel Jospin och Agneta Wanhatala var några av de personer som statsminister Göran Persson mötte under fredagen. Till skillnad från toppoliternas diskussion om världens

tagarna, personifierar de svårigheter som Landsbygdsriksdagen behandlar under helgen. När byn häromdagen fick höra talas om Landsbygdsriksdagen startade ett intensivt arbete med att göra banderoller och plakater. Och i går stod de alltså där, med 90 bussar i kroppen,

är arbetslösa. De flyvings- och hotellresor som sina barn. Statsministern i tvärs kontakt utrens komri. Med det fick uppva från Aapua låta sig bli

centraliserade beslut. Det för dagen oundvikliga ämnet bensinpris avhandlades. Bättre vägar och annan infra-

‘Villages die if school closes down’

3 • DAGENS NYHETER TISDAGEN DEN 2 MAJ 2000

Livet på landet lockar igen

Ny grön våg. Befolkningen i glesbygdsmråden ökar. Forskare tonar ner hotet om avfolkning.

Av Annika Carlsson

Nu är det statistiskt bevisat en grön våg drar över landet. Under 1990-talet ökade glesbygdsbefolkningen i mer än varannan kommun utanför de tre största stadsområdena. Det visar snart prebygdsvetenskapliga regionala studier. Det talniserigen att säga st från landsbygderna. Avfolkningshotet mot landsbygden finns visserligen, men hotet är inte lika stort som många tror, säger

Göran Hallin, forskningschef på SIR. Rapporten delar i Sverige i tre sorters områden: kommunerna huvudorter, övriga tätorter samt glesbygd. Syftet med indelningen är att komma bort från statistik som inte är snabbgång önskas också skattstegen drar forskare att glesbygdregionerna ökar mest är de där X2000 står vid stationen.

Den nya gröna vågen

► annika.carlsson@dn.se 06788 11 37

Life in the countryside attracts again

Högskola i glesbygd ger ny start

Av Babro Jansen

Såsom stäng, så är Ing-Marie från sen, 30 år. Östrik bildas av grundskolan medskola. Men när det var dags att välja yrkesväg såg hon sig om. Hon ville inte gå till gymnasiet utan till högskolan. Hon hade ett mål: att bli lärare. Hon hade ett mål: att bli lärare. Hon hade ett mål: att bli lärare.

Att plugga högskoleutbildning på en liten ort som Stigete, med 2000 invånare, var inte enkelt. Föreningen för att göra det möjligt. Föreningen för att göra det möjligt. Föreningen för att göra det möjligt.

Fakta/dataelektronisk utbildning för kvinnor

• Dataelektronisk utbildning för kvinnor (Duk) är på 120 platser och per år högst 100 personer. Utbildningen förbereder för arbete med elektroniska databaser, programering och nätverksteknik. Utbildningen är på 120 platser och per år högst 100 personer. Utbildningen förbereder för arbete med elektroniska databaser, programering och nätverksteknik. Utbildningen är på 120 platser och per år högst 100 personer. Utbildningen förbereder för arbete med elektroniska databaser, programering och nätverksteknik.

University courses in rural areas give a new start

GLESBYGDEN

”Tillhörigheten har försvunnit”

SVENSK. Vardagslivet i avfolkade landsbygderna är inte lika stort som många tror, säger forskare. Vardagslivet i avfolkade landsbygderna är inte lika stort som många tror, säger forskare. Vardagslivet i avfolkade landsbygderna är inte lika stort som många tror, säger forskare.

DEN NYA EKONOMIN

”Jag känner mig inte delaktig”

SVENSK. Det är obekvämt, tycker Göran Persson. Det är obekvämt, tycker Göran Persson. Det är obekvämt, tycker Göran Persson.

“The sense of belongingness has disappeared”

Annika Carlsson: Tillhörigheten har försvunnit - den tillhörigheten som tidigare varit en inflytelserik åsänd.