

# Dynamics of Rural Areas (DORA)<sup>1</sup>: The Swedish case studies

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**ABSTRACT** Understanding differential economic performance at local and regional levels is a key element in devising practical strategies and programmes for sustainable rural and regional development in different contexts. The project DORA – Dynamics of Rural Areas deals with regional and local differences in rural Europe. The DORA project seeks to improve our understanding of the factors underlying and explaining persistent differences in economic performance between rural localities. The basic 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. This paper provides a discussion of the preliminary results for the Swedish case study areas based on the analysis of ten factors as well as the interrelationships between them to explain differential economic performance and gives an account of methodological challenges when combining qualitative and quantitative methods.

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## 1. INTRODUCTION

Understanding differential economic performance at local and regional levels is a key element in devising practical strategies and programmes for sustainable rural and regional development in different contexts. Although there are exceptions, such as RUREMPLO, most previous studies of differential performance at territorial levels have addressed the problem of differential economic performance at national levels. In the project DORA - Dynamics of Rural Areas, the concern is with regional and local differences. The criteria for economic performance is based on medium to long term employment growth, new enterprise formation and migration movements, although sectoral trends, unemployment and commuting activity are also considered. Importantly the research considers public perceptions of local performance and great emphasis is given to the role of ‘less tangible’ factors in the production function.

### 1.1 Aim and structure

This paper provides a discussion of the preliminary results of the Swedish case study areas of the DORA project based on the analysis of ten factors as well as the interrelationships between them to explain differential economic performance. Regarding the DORA method, the paper gives also an account of methodological challenges when combining qualitative and quantitative methods across countries.

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<sup>1</sup> This paper draws on the joint work of the DORA team. DORA is a joint European project co-ordinated by Arkleton Centre (John Bryden, Jane Atterton, Anja Timm, Paul Courtney, Keith Hart and Gilian Munro) and the research partners in Germany (Helmut Schrader, Gerd Hachmöller, Birgit Koch and Lars Masurek) and Greece (Sofia Efstratoglou, Angelos Efstratoglou, Emmanouela Kourossi). DORA is funded by the European Commission under the Fourth Framework Programme for Research and Technology Development, FAIR6-CT98-4162. Further information on DORA can be found on the project website at: <http://www.abdn.ac.uk/arkleton/dora1199.htm> or for the Swedish case studies, <http://www.nordregio.se/dorafaltarbete.html>.

The structure of this paper is as follows. Section two contains a brief presentation of the DORA project from which this paper is drawn on, describing the core research question and methodology. Sections three and four a summary of the results for the two Swedish study areas, focusing on the interrelations between factors that explain differential economic performance are presented. Conclusions and policy implications are presented in section five followed by a discussion of the DORA methodology for the Swedish case in section six.

## 2. THE DORA PROJECT

The DORA aim of 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 outcomes. 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 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 recognition of the inter-disciplinary nature of the project, and of the research teams involved, quantitative and qualitative research methods has been employed. It seems reasonable to agree with Philip (1998) who argues that researchers should think beyond this myopic quantitative - qualitative duopoly when it comes to designing a suitable methodology for their research, and select quantitative or qualitative methods, or a combination of the two, that best satisfies the needs of specific research projects – and this is the case of DORA. Moreover, we concur with the argument that not that all research should seek to combine methods, but that the research topic itself should play a prominent role in leading the researcher to design a methodology that is theoretically informed by the individual characteristics of the research being undertaken (p. 274). Thus, all these methods should be used with care, acknowledging disadvantages and weaknesses in particular methods as well as privileging their advantages.

Combining methods can, however, mean a variety of different things, for example, mixing the type of data-collection method used, utilising different methodologies for different stages of a research project, combining different writing styles, or even employing more than one theoretical framework. The DORA project exemplifies an attempt to combine qualitative and quantitative methods to assess economic performance. This attempt refers to the combination of individual, qualitative and *less tangible* data from surveys, with aggregated, quantitative and *tangible data*, often from conventional statistics attached to geographical units that varies from County, study areas to municipality-level.

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

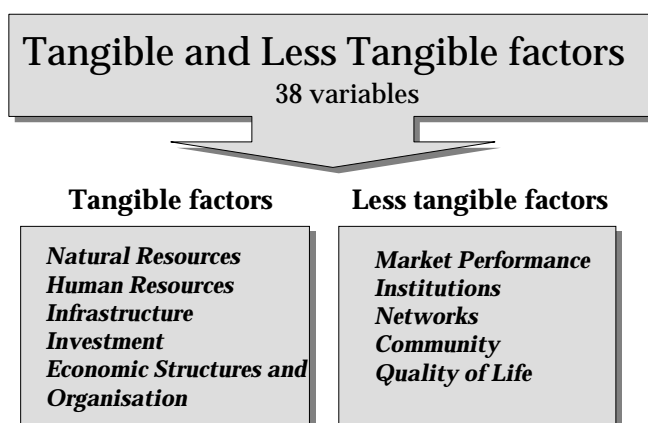


Figure 1 Tangible and less tangible factors of DORA.

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.

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).

A new element in this project has been the involvement of practitioners (policy makers, rural development actors) in small national steering groups (in Sweden this was composed of 6 members) 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.

The DORA fieldwork in Sweden 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. This was done by interviewing public officials, politicians, 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 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). Photographs were used as a way to register samples of the reality we found interesting in our study areas and meaningful to the research. The fieldwork was divided 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 interview. The Swedish version of the common schedule was used as a basis for our interviews. The impression gained was that the schedule worked well in general. Certain questions were judged by the interviewees as ‘difficult to answer’ and, in several cases, the answers were quite superficial. The questionnaire is available upon request.

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 the National 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 (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 request).

### 3. THE DYNAMICS OF RURAL AREAS: THE SWEDISH STUDY CASES

*The selection of regions and case study areas (matched pairs) has been chosen according criteria of “contrasting economic performance”, such as, net-migration, employment, unemployment, population change, regional GDP, and business start-ups. The Swedish team chose one region in the North of Sweden, Norra Norrland, and another in Southeast Sweden, Sydöstra Sverige (Figure 2).*

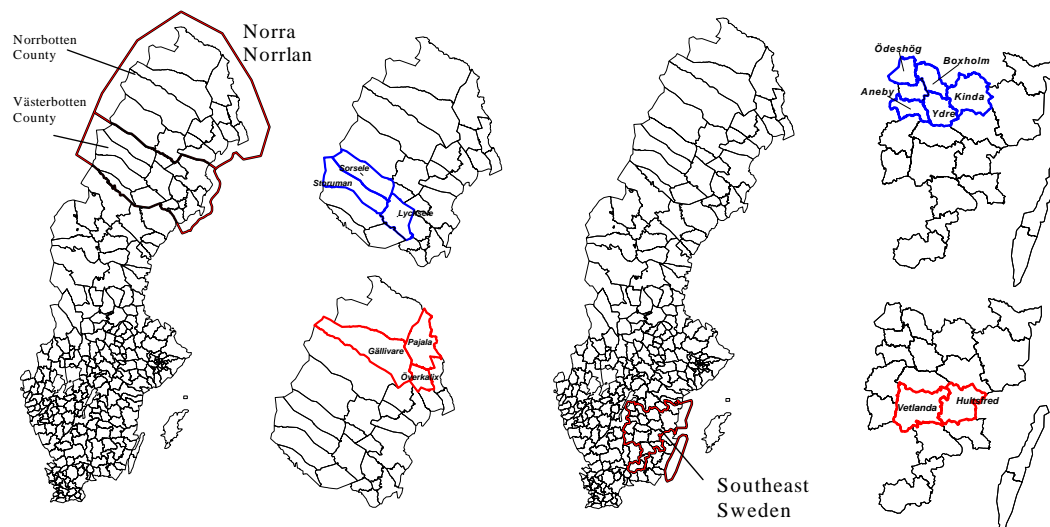


Figure 2 The DORA study areas

The Southeast Sweden region was an Objective 5 area during 1995-1999, thereafter in Objective 2. The second region, the Northern Sweden was in Objective 6 during 1995-1999, and since 2000 is currently in Objective 1. 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).

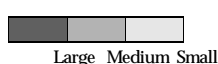
### 3 DYNAMICS IN NORTH SWEDEN

Based on an intensive analysis of the 10 factors (or 38 variables), four factors were identified as being important to explain differential economic performance between the study areas in North Sweden (Table 1). 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, infrastructure, economic structure, market performance and culture<sup>2</sup> (not necessarily in this particular order).

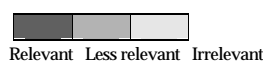
Table 1 Explaining DEP in North Sweden through tangible and less tangible factors

	<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 WPN and LWPN (1)	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Light Grey	Light Grey	Dark Grey	Light Grey	Light Grey
Relevance to explain DEP (2)	Dark Grey	Light Grey	Light Grey	Dark Grey	Light Grey	Light Grey	Light Grey	Dark Grey	Light Grey	Light Grey

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



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



<sup>2</sup> 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 synergetic 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.

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. 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 3), at least higher than the WPN in 1997.

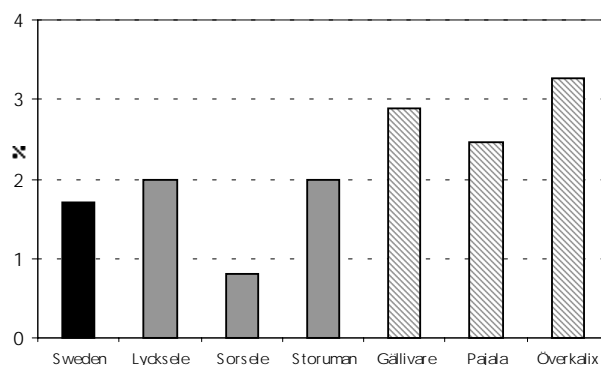


Figure 3 Long time unemployment 1997 (>100 days unemployed labour force)

From left to right: Sweden, WPN region (Lycksele, Sorsele, Storuman) and LWPN (Gällivare, Pajala and Överkalix).

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. 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 2). 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.

Table 2 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

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. As the following quotes illustrate, regardless the study area, respondents are aware not only of the region's dependence of public funds but also of how much the region has and had a negative attitude towards EU.

*...Naturally it is the public sector that is the major investor here. 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).*

*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).*

Industrialisation 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. Between 1994 and 1998, more than 50 per cent of the municipalities had an increase of business start-ups. 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 3 illustrates business start-ups in the DORA study areas.

Table 3 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

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. Figure 4 illustrates the differences of spending on EU projects in North Sweden. Besides, accessibility in geographical terms plays clearly an important role. Accessibility is better in several parts of WPN than in LWPN, the latter area containing Sweden's most remote areas at the Finnish border.

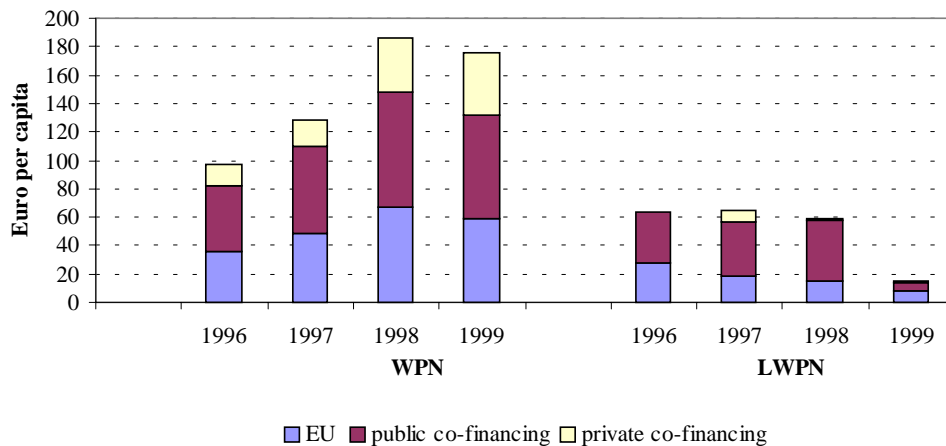


Figure 4 Spending on EU projects in North Sweden, Euro per capita  
Data source: NUTEK (2000a)

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. Natural resources are in both areas perceived as raw materials but in the well performing area it is more often perceived as an asset for tourism industry, as described by this respondent:



*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)*

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. 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, as the following quotes illustrate:

*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).*

*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. Here Jantelagen<sup>3</sup> is very pronounced. Everyone up here is aware of this attitude, but it is difficult to change (Citizen, LWPN).*

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, but still the entrepreneurship climate seems not to be encouraging. Figure 5 illustrates the difference Figure 3 the population attitude towards entrepreneurship according to entrepreneurs (a) and municipal politicians (b) in WPN and LWPN. Hence, we have found that WPN is an example of the old saying that success feeds success, while the

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<sup>3</sup> 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.

corresponding saying could be translated for the LWPN to the vicious circle of "few successes means less encouragement for others to try".

The relatively slower rate of modernisation 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.

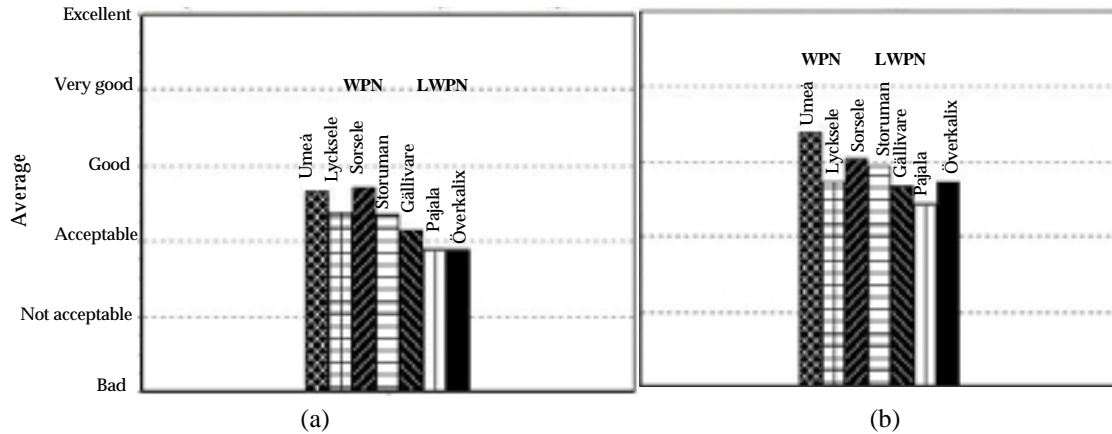


Figure 5 General attitude towards entrepreneurship according to entrepreneurs (a) and municipal politicians (b), 1999.

Source: SAF, Företagarenkät SAF/Demoskop.

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. DYNAMICS IN SHOUTEAST SWEDEN

Table 4 shows an attempt to summarise the analyses performed using tangible and less tangible factors for Southeast Sweden.

	<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 LWPSE (1)	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Light Grey	Dark Grey	Dark Grey	Dark Grey	Light Grey
Relevance to explain DEP (2)	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Dark Grey	Light Grey	Dark Grey	Dark Grey	Dark Grey	Light Grey

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



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

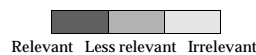


Table 4 Explaining DEP in North Sweden through tangible and less tangible factors

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.

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 but the economic structure is low diversified and traditional, as stated by these respondents in WPSE area:

*There are some larger ones, such as Dalagårds, Hallins manufacturing, Valtkvist manufacturing, Huskvarna, Vättern potatoes. Those have about 75 - 100 employees. Then there are quite a large number of small companies in these branches. **How is business faring - up or down?** Now it is rising. All the above companies are booming (Journalist, WPSE).*

*There aren't many new companies in our branch... 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 (Public official, WPSE).*

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:

i) Stronger long-term trend of depopulation in LWPSE

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 5 summarises the net migration during the last three decades.

Table 5 Net migration (per cent)

	WPSE	LWPSE	Southeast region	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

ii) Substantially higher rates of long term unemployment in LWPSE

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 6).

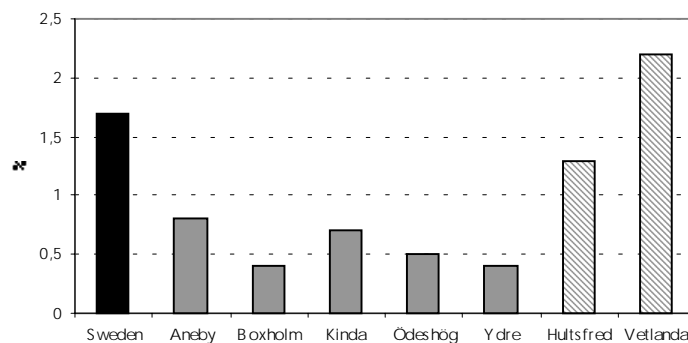


Figure 6 Long time unemployment 1997 (>100 days unemployed labour force)

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

iii) Somewhat lower educational level of the labour force in LWPSE

Even though the educational level has shown improvements in LWPSE since the 1980's (Table 6), 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).

Table 6 Educational level (percent) 1985/1999

	WPSE	LWPSE	Southeast region	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

It is important, however to stress that direct economic performance – measured in terms of income per capita of the local population, that is to say, the local income tax basis – is estimated to be almost 20 percent higher in the LWPSE than in the WPSE. 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.

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’. This was part of the region’s identity as stated by several respondents:

*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, 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... (Representative of a local organisation, WPSE).*

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 (as a respondent stated, ‘people 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. However, it is difficult to see how these differences in the local culture do play a role in determining economic performance based on the analysed factors.

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 in Southeast Sweden have to be based on:

- i) Knowledge of local economic and social history
- ii) Linkage to the area’s local capacity to respond to regional development policy in a broad sense
- iii) Accessibility in an era of ‘regional enlargement’ in Sweden, that is to say, geographical extension of commuting areas as well as of the production environment, the business milieu, around expanding urban ‘centres of excellence’.
- iv) 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. CONCLUSIONS AND 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 7, Figure 8 and Figure 9). One dominating feature for these areas is that they, as well as most regions outside metropolitan regions, are in a varying state of steady depopulation. The reason is a negative natural reproduction rate and net loss of migrants. Secondly, these areas are to a varying extent dominated by a sparse settlement, where the northern areas are particularly a good example. Thirdly, while all study areas are located far from dynamic metropolitan regions, some of them – also the Northern - are located at the very far off periphery of the country. The Southern areas are relatively closely located to the regional centres with higher education facilities and other services, as well as to an emerging new economy. These three varying features concerning the demographic and spatial structure of the rural areas are important to keep in mind in designing strategic policy recommendations for each of the study areas. The guiding principle is that, for a general policy for these regions, there is a need for flexibility and local influence.

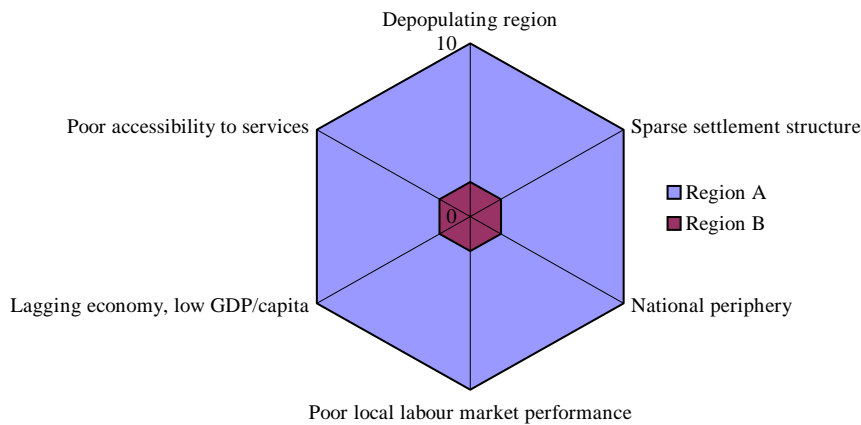


Figure 7 Towards a typology of rural areas in Sweden.

Depopulation is one of the most complicated problems to be addressed by policy. This is 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 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 be questioned which incentives to economic development and restructuring of the economy are feasible in these regions, which are likely to experience 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 for the proper implementation of regional and structural policies. It might, however, be argued that in cases of depopulation the need for a regionally based understanding of the resources, problems and future possibilities will be very important. Policies need to address this and facilitate an active role for the local and regional partnership. Of course, a step towards a more active role of regional/local actors through different types of co-operation schemes has already been taken with the Proposal of the *Regional Growth Agreements - RGA*. All study areas are directly affected by the decisions made at regional level focusing on the region's needs.

Flexibility is also needed when it comes to the measures. Traditionally, regional policies in Sweden have tended to rely upon direct grants and operational aid. This might in

some cases, when provided for by the guidelines for regional aid, be unavoidable. More emphasis may, however, in the future be placed on an 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 the transfers from the structural funds). The evolution of entrepreneurship, with active use of start-up grants and other policy measures targeting the SME’s will form an important part of such a shift in development strategy (see section Investments).

The analysis of the differing performance 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, varies considerably, but much more due to the presence of valuable natural assets – mineral, energy – in some areas than due to the productivity of the labour force and differing investment rates (e.g., Gällivare).

*Secondly*, the performance of the local labour market differs, whether this is measured as unemployment rates or labour activation rates for different segments. However, it should be noted that the national labour market policy levels out much of the variation measured this way, between local labour markets in Sweden. The differing rates of freedom of choice for the individual is 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 are very difficult to change by means of policy, is decisive for the freedom of choice at the individual level.

*Thirdly*, there are significant differences in performance of the service infrastructure and supplies between the regions studied. This plays an important role in keeping people from moving out. Again the Northern regions stand out as vulnerable to cut backs of public services, and also having accessibility problems of quite another dimension than the SE regions. For the DORA study areas, findings show that there have been reductions of many basic services (schools, stores, pharmacy, post office) during the last few years. More than 60 per cent of pupils in the DORA study areas of Southeast Sweden has no more than 5 kilometres to 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.

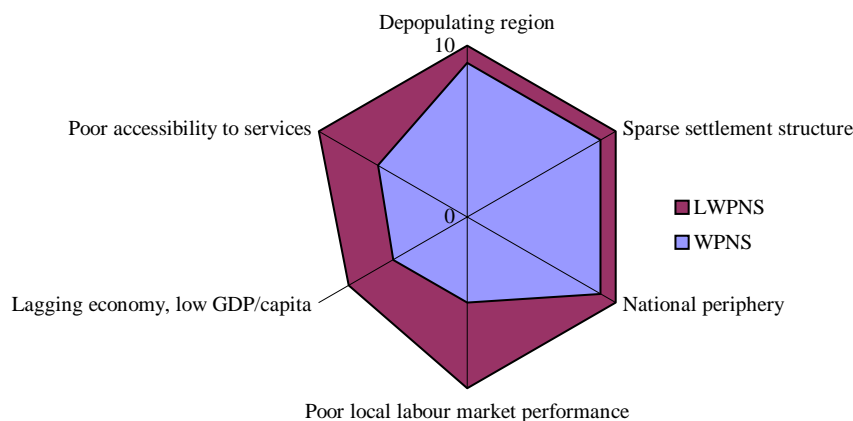




Figure 8 Tentative characteristics of Well and Less Well Performing area in Northern Sweden.

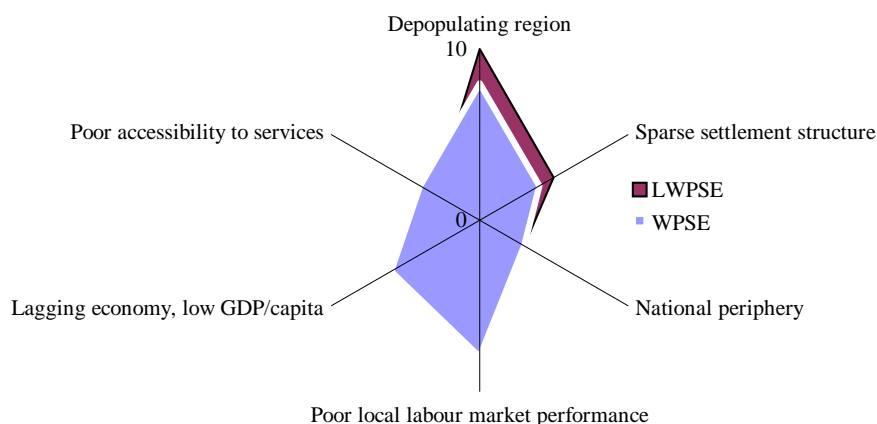


Figure 9 Tentative characteristics of Well and Less Well Performing areas in Southeast Sweden.

We suggest a dual regional policy design, with one set of measures aimed directly at encouraging economic growth and better functioning of the regions and another set aiming at equalising the living conditions for the population.

The first set of measures – for stimulating economic growth - consists of (a) structural efforts and (b) stimulation to endogenous growth.

(a) The structural measures should be directly aimed at improvement of the accessibility through communication infrastructure. In 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 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 for the area's development and competitiveness.

In Northern areas, this strategy has limited effect because of the long distances. Here, a modern ICT-infrastructure has to be invested by means of public intervention. The future development of these regions into a modern knowledge based economy depends on the modern technology to overcome geographical distances. Investments in such infrastructure may be an important element in a strategy for development of regions facing depopulation. It may attract businesses by lowering their installation costs and thus enhancing the advantages of the region concerned. Investments 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 the negative trend. Diffusion of broadband techniques, facilitating telemedicine and learning at distance is associated elements of this development. A step towards the use of IT in post secondary education has already started in most of the DORA municipalities – learning by distance – helping to qualify labour force at the

same time that it diminishes the daily commuting to regional centres and keeps young people from leaving their original municipalities.

It is furthermore important to develop a working relationship between the structural policies at the EU level, national level and activities pursued at the regional level. The aim should be to achieve complementarity between EU and national policies. This has to be addressed also by an adaptation of the guidelines for regional policies and increasing the scope for national policies.

(b) Stimulation of endogenous factors should aim at improving the capacity of the networks in the rural areas and between rural areas 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 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 accordingly 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 have recognised from 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 have all these roles at the same time) that formally and informally network, not rarely establishing external contacts, which are fundamental to the local economy. As already proven elsewhere these individuals or groups are fundamental in keeping communities alive by organising themselves, fighting to keep schools and traditional businesses and not least of all, increasing the quality of the leisure time of the local population. *Folkrörelserådet – hela Sverige ska leva!* (Council of Peoples movement – the entire Sweden will survive!) constitute a good example of the existent local power in the Swedish rural areas. Of highest importance is their direct or indirect contribution to local economy. They contribute to reduce 'hidden' costs involved in the establishment of new businesses in the area, by facilitating legal and technical procedures for business start-ups, making arrangements of infrastructure for industrial location or opening up channels of contact with other actors. These people 'that 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* for these communities. In many visited municipalities, they are not even recognised as resources. Policies should earmark resources for fostering contacts between local actors, co-operation and partnership.

Still in the same direction, the notion of endogenous development through 'learning region'-based strategy is also of vital importance. According to the ideas of 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 an interaction within networks of businesses and organisations, embedded in a wider institutional and societal environment. Therefore, more importance should be given to policies directed to stimulating such environments, involving permanent measures for business renewal, job creation and labour force qualification. Recent

examples of renewal of the local economies in the DORA study areas are worth noting and should be kept on long-term basis. Investments on new or 'modern' branches should also part of a new strategy for the economy of rural areas (see, for instance the case of culture industry in LWPSE and the IT and pharmacy based industry in LWPN).

The second element of the dual policy that we suggest, that is to say, measures to maintain the relatively equal 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 severe other measures. There is a strong need for better co-ordination of these efforts between differing sectors. There is also a need for reorganisation and new technology used in basic services, particularly to cut costs and 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 co-operation between local/regional actors and the state, in order to adapt to local conditions, that is to say, according to the type and tradition and characteristics of the rural areas in consideration.

## **6. METHODOLOGICAL CONSIDERATIONS**

General considerations can be drawn regarding the use of combined data sources (tangible and less tangible factors) in DORA. Few of them are inherent to the process of data acquisition, others are related to data management and use whilst others are related to the lack of adaptability of the method to the Swedish case study.

The exploratory combination of tangible and less tangible factors in DORA functioned quite well. Regarding the *tangible factors*, the main advantage in using hard aggregated statistics was its availability as official data (including price of acquisition) in addition to its suitability for spatial analysis between study areas. The main constraint was the fact that these statistics were not always available at municipal level, which made any type of aggregation by study area virtually impossible. Regarding *the less tangible factors*, the high degree of detailed information highlighting the processes and interrelationships between factors was certainly one of the most general positive strengths of individual data (that is the main source for the DORA less tangible factors). This richness of information provides us with the capacity to visualise a diversity of opinions, judgements and expectations. However, individual data is not free of problems. For instance, cross-sectional data can be extra sensitive to time acquisition, therefore it is open to a higher risk of cross sectional fallacy. Thus, surveys performed with large differences in time acquisition may be affected by changes in 'the local reality' that can hardly be controlled, and therefore, should be carefully used for comparisons. In the case of DORA project, the difference in time execution of the interviews was relatively short (the whole interviewing process took about two months), which would marginally affect the interviewees.

There are also specific aspects of adaptability of the method to each region and country. The Swedish experience shows that the DORA method was more suitable to explain differences in economic performance in North Sweden, where the differences between study areas were great, than in the region of Southeast Sweden.

The fact that Sweden is traditionally a welfare country (with its equalisation system that struggles to maintain the equal living conditions between regions) constitutes one aspect that could explain why the DORA method failed in identifying differences between the study areas with regard to some tangible factors. The equality of living conditions includes transfers to local governments/municipalities for providing services transfers to individuals for compensating low incomes and severe other measures. This in practice creates a situation in which leading areas perform in certain tangible factors less well than the lagging ones.

Another aspect may be related to the fact that the neither the Swedish regions nor study areas constitute in reality homogeneous political and administrative entities. Since the Swedish municipalities were too small (total population and economic diversity) in comparison with other regions of participants countries (Germany, Scotland and Greece), we decided to combine several municipalities that somehow attended the criteria for being a DORA study area. This would as we expected facilitate the international comparison. However, in later stages of the project, we realise that these municipalities were quite different from each other, which made the analysis of economic performance a difficult task since any explanations of differing performance “on the average” had to take the local heterogeneity into consideration. For instance, in North Sweden, the WPN consists 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. In Southeast Sweden, the differences in total population associated to the urbanisation degree of the chosen municipalities were confusing factors when assessing differential economic performance. For instance, the accessibility to consumer oriented-infrastructure (such as schools, pharmacy, post offices), a factor that keep people from moving out, is generally better in the lagging area than the leading one.

It is worth noting that sometimes the expected idea that leading area should have a ‘positive’ indicator whilst the lagging a poor and ‘negative’ one does not hold for few tangible factors, mostly in North Sweden. One example is the statistics that indicates demography and population dynamics for one of the most remote areas in Sweden and Europe. Net migration, for instance, has been negative since 1970’s in both study areas. The only difference is that the well performing area seems to copying better, with a smaller out migration, than the less well performing one. This means that the choice of leading areas was done by looking at those areas that were performing relatively better than the rest, but not necessarily well in national terms.

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