



# OECD TERRITORIAL REVIEW

## of Småland, Öland and Blekinge







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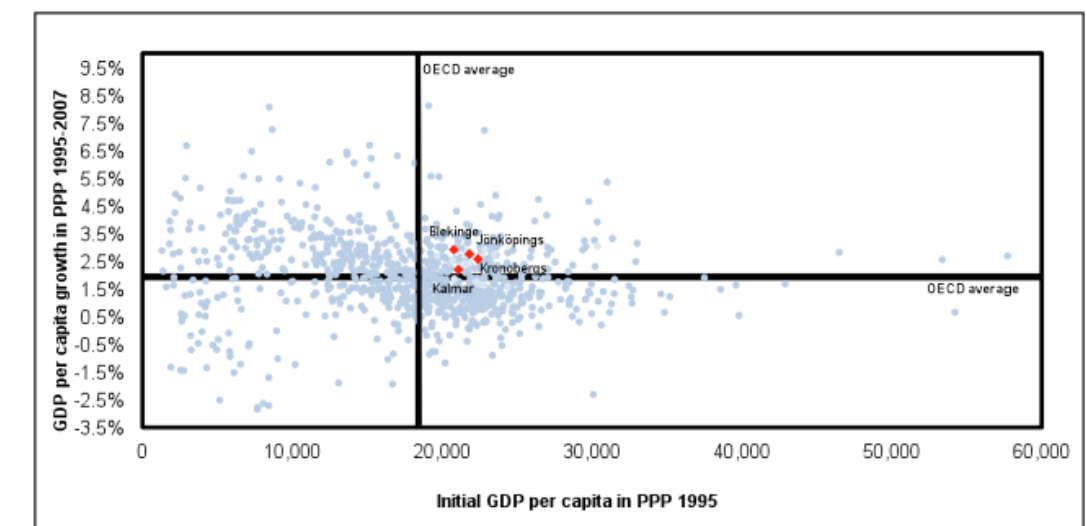
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## 1. SOCIO-ECONOMIC TRENDS

### KEY FACTS

- The region's demographic trends largely mirror those of Sweden as a whole, on a smaller scale. Growing concentration of the national population in the main metropolitan regions is thus paralleled by a trend towards increased concentration in the main towns of Småland and Blekinge; most municipalities have been losing population. At both national and regional scales, this process is driven by the migration of younger, more skilled workers to larger cities, leaving outlying areas with older as well as sparser populations.
- Since the mid-1990s, the growth performance of the four counties has been unspectacular by Swedish standards but fairly strong compared to most OECD regions (Figure 1.1). However, the region has faced considerably higher volatility of growth than the rest of Sweden, owing largely to its specialisation in intermediate manufactures, which tend to be sensitive to the economic cycle. This has magnified the impact of the recent crisis, in particular.
- Activation and employment rates in the region have typically been fairly high by both Swedish and OECD standards. Integration of local labour markets remains limited: commuting flows are significant and rising over time, but they remain limited.
- Male-female wage and activation gaps have been declining steadily but the labour market remains highly segmented according to gender: men account for around two-thirds of private-sector employment and women for the majority of public-sector employment. This affects geographic segmentation, as well, since women tend to commute less, effectively operating within smaller functional labour markets than men. That said, female entrepreneurship in the region has been growing strongly since 2000.
- Existing road and rail infrastructures leave the regions less well connected to European markets than most of central and southern Sweden. Infrastructure constraints would also appear to underlie the limited growth of commuting.
- The region's human capital endowments are strong by OECD standards but relatively low compared to other Swedish counties. Major efforts to invest in the supply of human capital have borne fruit, but it has proved difficult to retain high-skilled young people, especially young women, who often move the major cities on completion of their studies (Figure 1.2).

Figure 1.1. Initial levels and growth rates of GDP per capita, OECD TL3 regions, 1995-2007

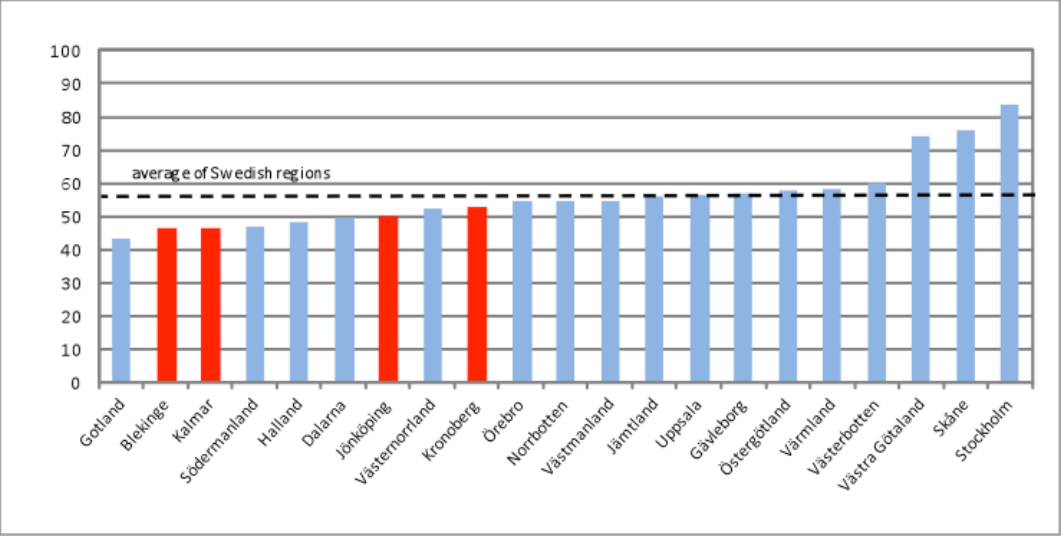


Source: OECD REGIONAL Database.





**Figure 1.2.** Percent of post-secondary graduates from a county residing in the same county, 2007



Source: OECD calculations based on data from Statistics Sweden,

### KEY POLICY ISSUES

- The region's strong specialisation in medium-low and low technology industries represents a challenge for the future. Increasingly, sustaining the region's competitiveness will require moving up the value chain into more knowledge-intensive activities.
- There is a need to reduce the share of low-skilled workers in the region's workforce and to increase the share of high-skilled ones. Since the problem seems to concern retention and attraction of highly skilled individuals, it is likely that policies aimed at thickening local labour markets, not least by reducing the cost of commuting and enhancing the attractiveness of the region, should go hand in hand with efforts to improve the supply of human capital.
- Demographic trends raise increasing challenges for public service delivery, particularly in sparsely populated municipalities that are experiencing both population decline and accelerated population ageing. This reinforces the need to expand and deepen the range of instruments and institutions for inter-municipal co-operation.
- These challenges point to the need to address governance gaps in the region that make it difficult to address policy issues that transcend the scale of the counties themselves.

## 2. ECONOMIC COMPETITIVENESS

### KEY FACTS

- The prosperity of the four Småland-Blekinge counties has mostly been sustained by low- to medium-technology small and medium-sized enterprises (SMEs). These industrial SMEs are mostly involved in low value-added manufacturing, often subcontracted by major Swedish corporations.

There is a growing risk that first-level subcontracting by Swedish corporations will be internationalised, with potentially serious consequences for local firms in Småland-Blekinge.

- Development of knowledge-intensive businesses is a promising route for ensuring the maintenance and growth of the region's prosperity. The adjustment of the four counties' industrial fabric will require a highly qualified and dynamic labour supply.
- There are important labour-market mismatches that must be overcome for the transition towards a knowledge-driven economy to succeed (Table 2.1). Highly qualified youth (especially women) tend to migrate, particularly to metropolitan areas. Finally, there is a mismatch in the human capital profile of immigrants with respect to the local economy's needs.

**Table 2.1.** County of residence in 2010 of students graduated from post-secondary education in the universities of Småland-Blekinge in 2007/08

County of education	County of Residence				
	Same county	Stockholms county	Skåne county	Västra Götalands county	Other
Jönköpings county	50.1	11.5	7.1	13.8	17.5
Kronobergs county	52.8	10.7	13.5	8	15
Kalmar county	46.6	14.6	8.5	8.8	21.5
Blekinge county	46.4	10.1	19.3	6.7	17.5
Stockholm	83.8				
Skåne	75.9				
Västra Gotland	74.3				

Figures are based on a survey, and are expressed as a share of total graduates of post-secondary education in 2007/08 in each of the counties. Source: Statistics Sweden.

- Most of Småland-Blekinge is blessed with strong natural endowments that can be the basis for regional development in the area.
- The region's strong SME structure is well suited to the establishment of a modern knowledge-based economy, but local businesses need to modernise and diversify their industrial base.
- There are significant infrastructure bottlenecks in internal road and rail connectivity, both with Sweden's metropolitan areas, and with markets abroad, particularly to the east (Baltic Sea, Russia).

### KEY POLICY ISSUES

- How to retain and/or attract highly qualified people to the region that match the needs of the transition towards a knowledge base economy.
- How to enlarge and diversify the economic base of the region.
- How to enable local universities and local and regional authorities to better support the transition to a more dynamic, innovative economy.

### KEY RECOMMENDATIONS

- Encourage skilled people to engage in the local economy and to remain in the region by: strengthening the links between the regional education system and regional businesses; enhancing support for entrepreneurship among youth and for women; and encouraging skilled and locally trained foreign students to fill the local industry's demand for skilled labour.
- Encourage the return of those who leave: the existence of local economic opportunities should be widely disseminated in communities outside the region.
- Facilitate the up-skilling of immigrants. The challenge will be twofold: attracting skilled immigrants to meet current labour demand and to inject new ideas into the local environment; and further training and upskilling of immigrants already in the region.
- Better communicate and exploit the area's natural endowments so as to improve the territory's overall attractiveness and business opportunities. Natural amenities are a clear regional asset which, promoted strategically, could be the basis for attracting people to the region and for further developing economic activities such as tourism.



- Facilitate business succession in Småland-Blekinge. An inventory of potential business succession opportunities could be used to bring to the community people who might be attracted by the lifestyle and amenities. It could also be a way to offer opportunities for women entrepreneurs or alternative business strategies for local self-employed entrepreneurs.
- Promote knowledge-intensive service activity firms (e.g. management and business consulting, ICT, financial services, engineering, marketing, design). Such firms are attracted to amenity-rich areas, while they further add to these amenities through the local supply of their services. They are both sources and carriers of knowledge that influences and improves the performance of industry clusters across all sectors of the economy.
- Attend the needs and challenges of the existing business community. The authorities must seek to identify and assist firms that wish to expand their operations and take action to ensure that they can do so locally rather than move their operations outside the region. Retaining and expanding businesses requires strengthening the linkages between the private and public sectors.
- Strengthening connectivity is crucial, as it can enhance the value of local assets, improve accessibility and business competitiveness and amplify the region's attractiveness. Better connectivity with the most dynamic areas should be combined with the development of better internal connectivity within and across all four counties.
- Promote further co-ordination among actors and strategies. Better co-ordination of the different actors and strengthened regional development strategies and initiatives will be critical for public sector efficiency and effectiveness and for creating synergies among the territory's policies and initiatives. More cross-border interaction and co-operation would avoid the territorial fragmentation that can complicate the design, co-ordination and implementation of major regional development strategies in areas such as innovation or transport infrastructure.

### 3. GOVERNANCE

#### KEY FACTS


- Economic development promotion in Småland-Blekinge is currently characterised by excessive fragmentation, duplication and overlap owing to a lack of co-ordination among the many different actors and institutions involved.
- As part of the regionalisation process, the competence of regional planning and part of the regional development grants in the four counties were devolved from the County Administrative Boards (CABs) to Regional Development Councils (RDCs). This helped to increase the participation of local actors (municipalities, private and social actors) in regional development planning and promotion.
- However, this transition has had an important side effect: there is currently no single institution capable of leading regional development efforts. Regional Development Councils have an increasing role, but they still do not have the institutional strength or the mandate to co-ordinate the various agencies and actors in each of the counties. Their budgets are limited, and they are directed, at least partially, by local rather than regional interests.
- There is increasing inter-county co-operation in areas like health care, innovation or environment. However, co-operation is currently more a reflection of the sum of individual county priorities than of a systematic analysis of potential complementarities and joint opportunities of the region. The mechanisms for rationalising the provision of services or co-ordinate common projects that cross county boundaries are still too weak, making it harder for the counties to address common challenges and opportunities in fields like infrastructure or innovation.
- Inter-municipal co-operation has also been developing actively especially where small municipalities face common challenges arising from out-migration, population ageing and the increasing specialisation of public services. Smaller municipalities also confront challenges such as recruiting and retaining highly skilled or specialised staff. In order to take up these challenges Småland-Blekinge's municipalities have traditionally formed joint committees and local federations. Yet reaching consensus among different administrative units and local political leaders can sometimes become very difficult.
- Other administrative arrangements are being examined. As is well known, a regionalisation reform

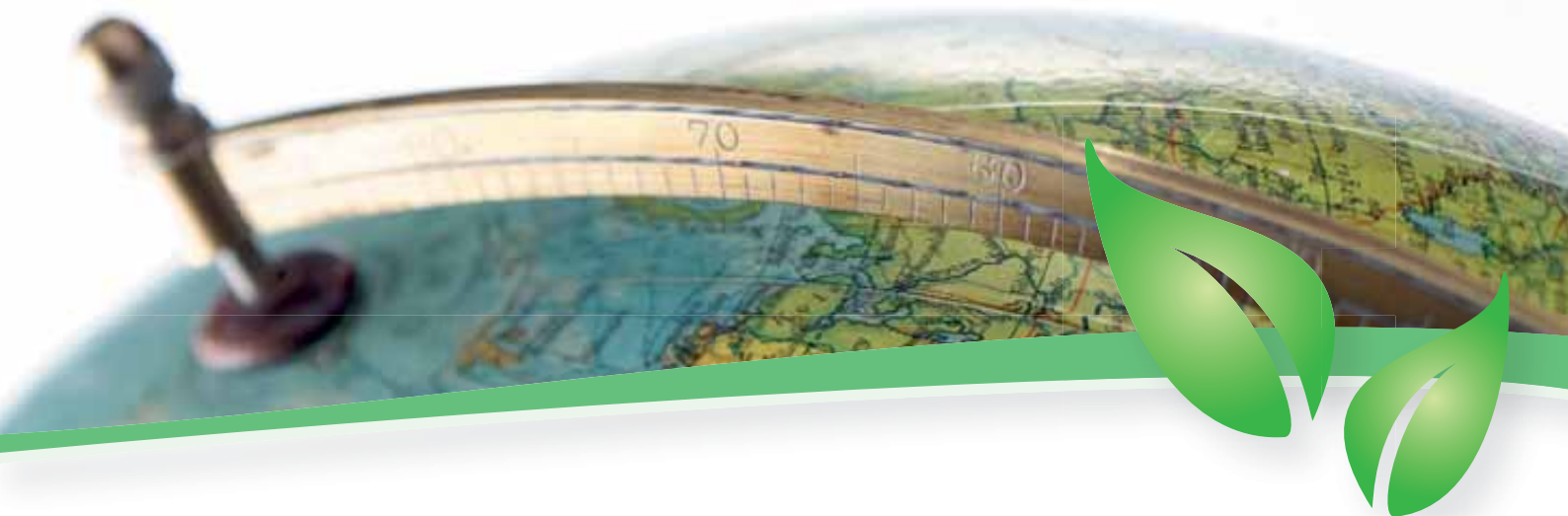
is under discussion in Sweden, with potentially significant implications for Småland-Blekinge. The main focus of debate has been on the geographic boundaries of the counties and the potential for realising scale economies in service delivery or strengthening the region's voice vis-à-vis the central government. Yet, what is too often missing from the debate is a focus on what a larger region might do.

#### KEY POLICY ISSUES

- How to define an approach to the regionalisation reform that reflects the needs of the region, based on a broad assessment of the issues, encompassing the scope of regional activities and not merely their scale.
- How to increase administrative co-operation between different administrative units. Local and county leaders look to the concerns of their constituents, and measurable impacts of regional co-operation are difficult to demonstrate in the short term.
- How to identify multi-level governance and co-ordination arrangements can lead to improve regional policy outcomes.

#### KEY RECOMMENDATIONS

- Clarify and agree on the concrete objectives, characteristics and scope of the current regionalisation reform. The potential (or lack thereof) for reconfigured regions not only to deliver economies of scale but also to develop capacities that individual counties are too small to sustain on their own should be a key consideration. This will require: a high level of consensus among the main stakeholders and the electorates involved and an in-depth analysis of the potential consequences of specific reform proposals. Whatever configuration is adopted, it will be critical to show it can help solve concrete problems and affect citizens' daily lives.
- Strengthen horizontal and vertical co-ordination among the different actors involved in economic development promotion. Whatever the future administrative structure of Småland-Blekinge, better co-ordination will be crucial to improve the performance of regional development policies and of public service provision.
- Clarify the roles of the different actors dealing with regional development. An initial step for establishing good interaction mechanisms among different institutions and actors is to define more clearly their roles and competences, as well as the way in which they interact.
- Strengthen county/regional leadership. It will be important to have a strong actor capable of speaking for the county/region on regional development matters and co-ordinating the work of the different institutions and actors, with adequate resources and enough institutional support to carry out this task efficiently. Vesting responsibility for regional development policy in a directly elected body can strengthen regional leadership.
- Develop more concrete and institutionally reinforced regional development programmes.
- Strengthen the role of the County Administrative Boards as the bridge between central and county policies.
- Strengthen inter-county and multi-level regional development planning, especially in areas that require the participation and funding of the central government and more than one county, such as transport infrastructure or innovation. Inter-county strategies should include concrete initiatives, as well as funding and implementation modalities.
- Further involve the business community in the planning process (e.g., through public-private platforms) and in the co-financing of joint initiatives (especially in infrastructure). Stronger and more concrete regional development strategies, which are seen by private actors as capable of generating tangible effects, would help.
- Encourage deeper inter-municipal co-operation. These efforts should include instruments to facilitate inter-county co-operation in the case of bordering municipalities in different counties, especially for small municipalities with limited capacities and resources and for border municipalities with large commuting flows. 



## OECD- TERRITORIAL REVIEW

The Regional Council of Blekinge, the Regional Development Council of Jönköping County, the Regional Council in Kalmar County and the Regional Council of Southern Småland have engaged the OECD to conduct a Territorial Review of the four regions. The purpose of a Territorial Review is to analyze trends in regional performances and institutional settings and focus on policies to assist regions in developing comparative advantages and tapping unexploited opportunities. The basis of this analysis is extensive background material and interviews with key competences nationally and in the four regions.

This is a short, and preliminary, summary of the OECD report which will be finalized in December 2011.

