

Restructuring the State

— Regional Impacts

A Comparative Nordic Perspective

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Nordic co-operation

takes place among the countries of Denmark, Finland, Iceland, Norway and Sweden, as well as the autonomous territories of the Faroe Islands, Greenland and Åland.

The Nordic Council

is a forum for co-operation between the Nordic parliaments and governments. The Council consists of 87 parliamentarians from the Nordic countries. The Nordic Council takes policy initiatives and monitors Nordic co-operation. Founded in 1952.

The Nordic Council of Ministers

is a forum for co-operation between the Nordic governments. The Nordic Council of Ministers implements Nordic co-operation. The prime ministers have the overall responsibility. Its activities are co-ordinated by the Nordic ministers for co-operation, the Nordic Committee for co-operation and portfolio ministers. Founded in 1971.

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Preface

Across all Nordic countries there is now an intensive debate on changing responsibilities and the division of labour between the state and the regions. The underlying problems in each country are very much the same, but the solutions suggested, implemented and experienced are sometimes different, perhaps not so much in concept as in details.

The report contains the results of a project that has been pursued within the context of illuminating comparisons between the five Nordic countries in terms of:

- What approaches characterize the current restructuring of state activities and what is their impact on various types of regions?
- What conclusions can be drawn concerning a set of alternative future trajectories for the institutional framework of state intervention at the regional level?

The report relies on existing literature and ongoing investigations in each country.

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The volume has been edited by Kaisa Lähteenmäki-Smith and Lars Olof Persson, Nordregio and contains contributions by Paul Olav Berg, Torben Dall Schmidt, Sigurður Gudmundsson, Valdimar Halldórsson, Merja Kokkonen, Jörg Neubauer and Stein Østbye.

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1. Introduction

State and Geography – a Nordic comparative perspective

This volume focuses on the issue of how – from a comparative historical perspective – the Nordic state now functions, posing the question, what impact the varying forms of state presence can actually have. As such, it is the regional consequences of the mix of different sectors' practices in different countries that forms the core focus of this report.

The report therefore contains the results of a project that has been pursued within the context of illuminating comparisons between the five Nordic countries in terms of:

- What aspects, policies and approaches characterize the current restructuring of state activities and what is their likely impact on various types of regions?
- What conclusions can be drawn concerning a set of alternative future trajectories for the institutional framework of state intervention at the regional level?

Our initial approach to this overall theme is thus one of analysing regional variances and vulnerabilities. We deal with full range of regional categories, from metropolitan to peripheral. The report relies on existing literature and ongoing investigations in each country, supported by expert interviews. Until the late 1990s regional development in the Nordic countries was relatively balanced with similar dynamics visible throughout the Nordic Region. Now a number of more obvious differences among the various Nordic regimes have emerged. One can also plot quite readily the struggle between the simultaneous tendencies of centralisation and decentralisation across the region as a whole. Moreover across all Nordic countries there is now a fully-fledged debate on changing responsibilities and the division of labour between of the state and the regions. The underlying problems in each country are very much the same, but the solutions suggested, implemented and experienced are sometimes different, perhaps not so much in concept as in details. The ability of national institutions to cope with emerging problems is thus of specific interest and therefore in need of monitoring and analysis.

The report is structured in the following fashion. Following on from this introduction, Chapter 2 sets out a range of statistical data on regional impact and the distribution of recent changes in the Nordic

countries. The analysis of employment statistics is conducted on the basis of local labour market areas or similar entities. Chapter 3 contains national overviews on the restructuring of the state sector in the Nordic countries during the 1990s. Chapter 4 contains an analysis of the spatial impact of changes in each of the five countries with regard to systems and policy in higher education. Chapter 5 provides an overview of recent shifts in regional development policy. Chapter 6 presents the final conclusions of, and the policy recommendations derived from, the study.

The strengthening of regional authority

In all of the Nordic countries, state policies across several sectors have been given a more regional focus. In general the process of regionalisation, it is assumed, contributes to a more efficient adjustment to regional preconditions. Moreover, despite ongoing deregulation and liberalisation, states are still viewed as the ultimate saviours of last resort when fragile regional economies are significantly affected by unforeseeable developments at the global economy level. It should however be noted that in some sectors, the same processes contribute to the reinforcement of regional imbalances, through a sharpening of existing centre – periphery relations. From the national decision-makers' perspective, one of the more urgent questions linked to such policy issues is that of what the central governments should do in the most remote regions in order to safeguard basic services.

In addition we should note that internationalisation and European integration penetrate most parts of society. This does not mean that the responsibilities of the nation state can be reduced or withdrawn all together. But rather that the more complex decision making processes and management relations demand transparency concerning the limits to and the role of the nation state's responsibility. This applies to both the regional and the national perspectives.

State autonomy has increasingly come under pressure from two different directions.¹ On the one hand, we can see a discernable trend towards the decentralisation of the public provision of goods and services. This decentralisation may take different forms: A transfer of authority from the national to the regional governance level, or privatisation and the imitation of private management practices giving more influence to the market and less to the political sphere. In many

¹ "State autonomy" as an analytical concept was discussed in Forder and Menon (1998), pp. 2-4. The "two-sided pressure" issue was also discussed in general terms by several authors from different disciplines, among others Keating and Loughlin (1997), Lindström (1996) and Cassella (1992,1994).

cases such changes have been encompassed in a wider policy package that has resulted in a process that can be referred to as the “downsizing” of government.² In essence then, most of the contributions to this volume investigate to what extent this first trend has become manifest within specific policy sectors across the different Nordic countries.

Another relevant trend is seen in the move towards the centralisation of policy instruments, not from a regional to a national level, but away from the national to the supranational level. This trend has been visible for perhaps almost the whole post-war period, beginning in the economic sphere with the establishment of the institutional regime emerging from the Bretton-Woods conference in 1944, and the subsequent development of regional trading blocs. The process has however gained momentum during the last decade, in particular through the creation of the single market and monetary union in Europe. Perhaps the most remarkable example of the loss of autonomy is the adoption of European legislation into national legislative systems, not only in the Nordic countries participating in the European Union, but also in the countries outside it, i.e. in Iceland and Norway, through the agreement of the European Economic Area (EEA). When a new law is adopted, the economic implications for the country are often difficult to foresee, let alone the regional implications within the country (Statskonsult 2000). This issue deserves more attention and should thus be on the agenda for future research. Not so much because autonomy could be regained through influence on the process preceding EU decisions, but more because the ability to translate preferences into authoritative actions through domestic policy depends on the capability to foresee the effects of the outcome.

The national state’s interests at the regional level can be either specific or more general in character. The regional level has a responsibility to co-ordinate sectors and interest areas of a national, regional and local character. The state’s interest at the regional level is thus more or less explicitly codified in terms of orientating goals and directives within respective policy sectors. In some areas the state’s interest is largely expressed through legal supervision and control.

Key arguments for state intervention at the regional level

The areas of policy to be dealt with in this section are often characterised by arguments that the state should remain active at the regional level, not just for reasons of policy efficiency but also for reasons of social justice.

² See for instance Teeple, Gary (1995): *Globalization and the Decline of Social Reform*. Toronto, Canada: Garamond Press.

Without delving too deeply into the debate on social justice, it can be argued in a similar vein to that of Bo Rothstein (1998) that the future of the welfare state is largely dependent upon how it is organised and managed, as citizens are likely to support the welfare state and its interventionist policies in as far as those policies have been designed in accordance with the principle of justice, if they are implemented in a way that is considered fair by the citizens, and if they believe that the totality (or as close to this as possible) of the citizens share the burden of cost that such policies incur on citizens as a whole. It may not however prove to be an easy task maintaining a system where such policies, and their implementation, exhibit such characteristics nevertheless it may prove to be the best available option.³

The specific policy areas identified as potentially decisive for the regional balance within the Nordic welfare states are briefly identified in the following, as are the basic arguments on which the maintenance of at least some state intervention in the field is most often supported.

Regional development – the responsibility of the state at the regional level is to ensure that state sectors adhere to nationally set goals. Regional development questions are however not merely a question of implementing national policies on the regional level. Across all Nordic countries today we find an increasing acceptance of a more “holistic” view of regional development, which is also why there is an ever-greater preference at the governmental level for well-formulated and sustainable regional strategies. The success of such strategies is in turn dependent upon how well the key actors – some of whom are state actors – manage to co-operate on the regional level. Whilst this does not necessarily imply that the state should assume practical responsibility for strategic work on the regional level, it does however seem justified that if this responsibility should lie beyond state authority, that government should seek to ensure that the sector-co-ordination of its activities does not hamper the success of these activities. If however responsibility lies beyond central government it seems justified for central government to seek to ensure that these actors and their development activities are in accordance with national objectives. This in turn is likely to entail a permanent and active monitoring and evaluation role for the central government.

Higher education and research – the state has the responsibility to ensure that quality and accessibility to higher education are secured in all regions. Universities and polytechnics are in most cases independent

³ As is also argued by Rothstein, a welfare state that meets these standards is also likely to be economically as viable as a more “minimum model”, i.e. a solution closer to the traditional night-watchman state.

authorities, undertaking their activities within the nationally set objectives and with nationally budgeted allocations accorded to them. As financing from private sources increases, the state should however continue to provide for a system of quality control as well as ensuring the universal availability of higher education for all citizens who are willing and able to pursue it.

Long-term infrastructure for communications – the state's role is to ensure the provision of a safe and economically efficient transport and communications network across all parts of the country. Governmental interests are present in the form of economic steering functions and through planning processes. There are reasons for an increased regional presence, especially as far as the prioritisation of certain projects and measures are concerned.

Culture – the state's responsibility should be to distribute resources for cultural preservation and development across the whole country. Within the culture sector itself central government interests should mostly concern the need to ensure access and open participation to places and items of cultural heritage to all citizens. Regional culture institutions (the "regional culture infrastructure") have a key role to play in this respect. Central government also has a role in the observation and maintenance of places and items of nationally important cultural heritage. Both of these roles are concretised in the national allocations for culture, which should be mindful of regional equality, whilst remaining observant of the regional differences in terms of cultural production and infrastructure.

Labour market policy – the state's interest should primarily be to secure optimal mobility from a national perspective and to ensure that long-term regional development is not under-prioritised in the face of short-term unemployment problems. Central government has a role to play in ensuring and enhancing individual employability through training programmes and similar initiatives, as well as in ensuring that available job opportunities are matched with suitable applicants. Central government has a strong interest in seeing that these goals are in fact attained. Generally speaking, it can be argued that central government's interest in regional labour market policy is a strong one, and is something that has resulted in specific policy initiatives such as the regional growth agreements in Sweden. The risk identified in terms of implementing a strongly regionalized labour market policy lies in the potentially perceived inefficiency of the utilisation of the instruments (from a central government perspective). On the one hand there is a certain concern over labour mobility being limited, in line with the selfish interest of individual regions, while on the other, there is a risk of under-prioritising

support for labour activation of marginalized groups at the expense of the long-term simulation of regional labour markets.

Social services, health care and social security are fundamental state responsibilities to secure quality and equal distribution between individuals. This “equality doctrine” is still an important part of the Nordic welfare state system. This quality aspect is probably emphasized more in current debates than are quantitative indicators.

The theoretical framework

Current developments in the above-mentioned policy areas can be analysed and characterized in two dimensions: (1) the eventual shift in political support and rationale for a *general welfare policy* to *territorially selective action* and (2) the emerging division of labour between *growth* oriented and *distributive* policy measures⁴. It is assumed in what follows that both such developments are driven by the general drive towards increased international competition and the governance challenges posed by the current post-fordist forms of production, which themselves are part and parcel of the current economic and political situation, where improved economic performance is a high priority in all regions.⁵ However, it is argued here that the reform and regulation of each of these policy areas is currently at a different stage of maturity or development across each of the Nordic countries. Differences in the existing institutional frameworks as well as ongoing changes in the political climate of the individual countries themselves are thus expected to help explain such differing trajectories.

The key questions addressed in this volume have to do with the various social vulnerabilities, such as the different dependency profiles of various regions in the face of the general retreat of the state from the regions in line with the currently fashionable axioms of liberalisation, deregulation and privatisation, which function as the leading ideological grounds and practical means driving current debates. This should also to be studied against the background of the progressive introduction of supplementary EU-policies. However, as will be seen in more detail below, the state has not simply withdrawn from the regions but is rather now operating rather differently from before by using privatisation and deregulation as its preferred tools.

⁴ Lindström, B. (1997): Regionalpolitiken i stöpsleven. *Perspektiv på regional utveckling och politik i Norden*. NordREFO 1997:7.

⁵ See for instance Scott, A.J. (1998): *Regions and the World Economy*. Cambridge: Cambridge University Press.

Our point of departure is that all or almost all changes in the state sector today have a spatially relevant impact. This has become apparent in the policy reform of the 1990s, which have at times produced both dramatic immediate regional consequences, as well as a number of deeper impacts that will perhaps only become visible in the longer run. In the every day lives of the citizens of the Nordic countries change in this respect is however already apparent, as the distribution of welfare and services is increasingly affected in geographical terms and labour and employment issues become increasingly regionally determined. In many cases the ability to make a relevant impact on regional development and balance through co-ordinating different policy efforts has become increasingly difficult. Notwithstanding this however there have been surprisingly few attempts at the Nordic level to think through the regional consequences of such policy shifts in different policy sectors. The lack of such assessments has thus made it increasingly difficult to assess the regional impact of planned policy reforms of regional relevance in a coherent fashion. It seems justified to argue however that in order to have an idea of the changes to come we need to be more cognizant of the changes that have already taken place during the 1990s. Only after having a more all-encompassing view of these changes can we expect to be able to make recommendations or assessments as to the sector co-ordination and policy shifts needed to retain a polycentric regional pattern of even relative proportions.

The theoretical backdrop to the discussion here can be found in the 1990s debates on the changing role of the state. Whilst some of the debates were in fact quite strongly cantered on the notion of eroding state power and authority, others were less straightforward. Whilst some within the field of International Political Economy (IPE) and political science went as far as to claim that states were in fact losing out in the competition for authority with other international economic actors, equally there were also concerns as to the real nature of this erosion and of the paradoxes involved.⁶ Whilst some authors such as Susan Strange⁷ claimed that

⁶ Most typically such paradoxes included the fact that whilst the state was seen as “losing power” (or authority), state intervention in the lives of individual citizens was not seen as diminishing, quite the opposite (from food safety to environmental regulation and the impact of such issues on individual persons’ lives). Another paradox was seen in that whilst the governments of established states were losing their grasp on power (in Europe and in the U.S. in particular), there was no sign of statehood losing its appeal, as “new states” and “stateless nations” made their claims to establish their “own” states (minority groups and ethnonationalisms being the typical examples here). Strange, Susan (1996): *The*

impersonal market forces had already become more powerful than states, others were less convinced. Some argued instead that whilst international integration and the transnationalisation of the economic field in particular did change the opportunities for control open to national governments, their loss of power was relative at best: state capacities for control were in fact more dependent on state strategies and hence subject to nationally determined policy choices, as the welfare state matured through crisis into one of permanent adjustment⁸. Thus the question must be outlined more in terms of the choices made by national governments, and is therefore subject to change. This is also our approach to the question here, the resulting “final question” being: What have been the main policy shifts and their territorially differentiated impacts thus far, and what, if any, are the potential policy options available to national governments in the face of such changes?

The focus on New Public Management and the deregulation of state activities

New Public Management

In the course of the last 10 to 15 years, many of the government bodies in the Western countries responsible for public administration, infrastructure and the supply of public services have been given a freer position in relation to central government. This implies that they have been transformed from central government agencies to more autonomous state-owned bodies such as public companies and joint-stock companies. In some cases they have been partly privatised. In the Nordic countries, this reorganisation has been implemented against a background of changed domestic political conditions, while also being inspired by recent international administrative policy trends, known as New Public Management (NPM) dogmas⁹.

Retreat of the State: The Diffusion of Power in the World Economy. Cambridge University Press: Cambridge Studies in International Relations, 49.

⁷ Ibid.

⁸ Weiss, Linda (1998): *The Myth of the Powerless State*. Cornell: Cornell Studies in Political Economy. Pierson, Christopher (1998): *Beyond the Welfare State*. Cambridge and Oxford: Polity Press.

⁹ The discussion in this section is mainly based on the following literature:

-Berg, P. O.: Uforutsette regionale konsekvenser av statlig ”fristilling“. In Teigen, H. (ed.) (2000): *Bygdeutvikling: Historiske spor og framtidige vegval*. Norges Forskningsråd og Tapir Akademisk Forlag, Trondheim. Christensen, T. and Lægneid, P (1996): *Administrative Policy in Norway: Towards New Public Management*. LOS-senter notat 96/47, Bergen. -Christensen, T. and Lægneid, P.

These dogmas have made a considerable impact in the Western industrialised countries, and have been actively promoted by OECD through its comprehensive “PUMA”-programme.

The main feature of NPM is an emphasis on efficiency and economic norms. The public sector is to be made more efficient by adopting organisational structures originally developed in the private sector. Emphasizing efficiency implies changes in the organisation of the public sector, in its procedures and in the expertise needed. The main components of NPM are “hands-on” professional management that allows for active, visible, discretionary control of an organisation by persons who are “free to manage”. Furthermore, they include explicit standards of performance, emphasis on output control, competition and the use of contracts. Through devolution and contracting, policymaking is separated more clearly from policy implementation. Policymakers should make policy, delegate the implementation to managers and hold them accountable through contracts.

The effects of deregulation and corporatisation

The organisational changes and in particular the corporatisation of state activities imply that the political direction of such state activities actually changes form over time. Whereas the ordinary decision process implies that the political authorities design and implement the yearly budgets of government bodies, the autonomous bodies make their own budget decisions within the framework set by the state. This *direction by ownership* may therefore imply both the use of regulations, and the setting of conditions for giving concessions or subsidising prices on behalf of targeted groups.

Historically, there may be several reasons why the supply of services was provided by public authorities and not by private enterprises.

(2002) New Public Management i norsk statsforvaltning. -I Tranøy, B. S. og Østerud, Ø. (red.): *Den fragmenterte staten. Reformen, makt og styring*. Makt- og demokratiutredningen 1998 – 2003-Grønlie, T. and Selle, P. (eds.) (1998): *Ein stat? Fristillingas fire ansikt*. Det Norske Samlaget.

Hallin, G. (1999): *Avreglering och regional utveckling. Regionala konsekvenser av institutionella ändringar i Nordens kommunikationstjänster*. Nordregio R 1999:1OECD (1995) *Governance in Transition: Public Management Reforms in OECD Countries* Pollitt, C. and Bouckaert, G. (2000) *Public management reform: a comparative analysis*. Oxford University Press. Statskonsult (1998) I godt selskap? Statlig eierstyring i teori og praksis. Rapport 1998:21.

One reason may be that this was considered necessary in order to secure access to services that could not otherwise have been offered to the public, especially to small markets with limited purchasing power. Social, or general societal considerations; that is to say those in favour of vulnerable groups, or a general public responsibility for the provision of necessary collective services, may have made it essential to secure a service supply that otherwise would not have been provided under ordinary market conditions. Considerations such as these can thus be implemented in the ordinary budget process.

As this method of directly securing societal considerations through the ordinary budget process has now been partially replaced by the more indirect guidance of the government acting as the owner of these autonomous governmental bodies, it is important to note that such a change may have several causes. One obvious circumstance relates to the NPM-related shifts that have taken place in the ideological climate, favouring market-based and market-oriented solutions at the expense of those under the direction of a “strong” state.

Another explanation may be that weaknesses have emerged in the political process behind the scenes of the ordinary budgeting routines, to the extent that this process has been laid open to strong pressure groups that may have gained an over-proportional and indeed “unhealthy” influence at the expense of weaker groups. Adoption of a stronger market orientation has thus been seen as one of the ways to avoid such “manipulations” of the democratic decision processes as these, while deregulation and corporatisation have been expected to bring about more efficient operations.

Ensuring that societal considerations are still observed

The principles that guide the current reorganisation of the state sector in the Nordic countries may, on the one hand, be attributed to a change in ideological and pragmatic attitudes. In addition, the circumstances that this reorganisation is heavily influenced by, as well as the current NPM principles, must be regarded as facts that have to be adhered to. In this case then, one pragmatic question that arises thus relates to how political authorities will ensure that all relevant societal considerations are still observed and lived up to by the new autonomous governmental bodies.

Experience from the Nordic countries shows that the ministries that are supposed to control the autonomous government bodies on behalf of the state as owner, in practice exercise heavy restraint in making use of their formal authority to interfere with the dispositions made by those bodies. Moreover, during the transformation process the newly autonomous bodies have on occasion carried with them public

administrative tasks that do not naturally belong together with those of so-called “service producing” bodies. This has sometimes had disadvantageous effects, as when the now autonomous Norwegian telephone company (Telenor A/S) made use of its administrative authority to obstruct competition in the now deregulated and partly competitive new markets.

As such then the crucial question emerges as which societal considerations and goals will still be attended to, when political direction is gradually exerted through new kinds of NPM-inspired measures, and when the political direction through the framing of budgets is gradually replaced by simple monitoring of the newly autonomous governmental bodies? For example, to what extent are topical societal considerations; that is, for weak groups in society, still being considered by the new autonomous and market-oriented bodies? Also, to what extent are topical regional policy considerations still discussed in practice?

Experience however suggests that questions such as these have actually attracted rather too little attention within social science research, as well as in the current public and political debate.

Political responsibility for the accumulated effects

It would be in the nature of things that the new autonomous service-producing bodies, which now face competition in the deregulated markets where they earlier enjoyed the status as monopolists, will meet the new price competition by reducing prices first and foremost in market segments and regions where competition is keenest. Correspondingly, they will tend to keep up or even to raise their prices in other market segments, for instance in peripheral regions with scattered populations, where competition is less or even non-existent for natural reasons. When the “threshold of pain” is to be reached, it will have to be dealt with on a political basis, and it will be up to the political authorities, if desired, to intervene in the new markets, possibly by stipulating conditions for granting concessions (by stipulating a certain degree of market coverage for mobile phones), by fixing price ceilings for essential services (i. e. postage on letters) or by subsidizing means of transportation (railways or local traffic in peripheral regions).

Across the Nordic countries governments of all political persuasions have introduced comprehensive programmes for the modernisation and renewal of the state sector. The measures that have been introduced moreover all conform to a large extent with the prevailing NPM-dogmas. As an example, when the responsibility for the hospital institutions in Norway was recently transferred from the counties to the state, it was stipulated that these new institutions were to be run by

autonomous government bodies (*statsforetak*) on behalf of the state as owner.

To what extent deregulation and corporatisation may be said to be sensible solutions in a certain context, is of course an issue in itself. It may, however, be noted that a superior *political* responsibility for the *accumulated* effects from these reorganisations is created, as they are implemented at the various *regional and local levels*. Thus, great challenges will obviously have to be tackled through efficient strategies, if numerous negative effects are to be avoided.

Constraints from above – European macroeconomic policy

As noted in the introduction, recent trends toward decentralization have been accompanied by a further trend towards supranational centralization. Besides the extensive adoption of European legislation into national law, this trend has been most notable in the field of macroeconomic policies. Although macroeconomic policies have no intended geographical bias, there are certainly unintended effects.

Knowledge of the domestic effects makes no difference to the pursuit of supranational macroeconomic policy, but it certainly makes a difference in choosing the right decisions in policy areas where there autonomy is retained at the national or regional level. Hence, the simple message is that the performance of domestic policies cannot be properly evaluated without some knowledge of the constraints imposed upon them by the trend towards centralisation in general, and the centralisation of macroeconomic policies in particular.

Studies on the domestic regional impact of *national* macroeconomic policies are few and far between. Some notable exceptions being Blake (1995) on the regional implications of monetary and fiscal policy in the U.K., and, ignoring the distinction between *national* and *federal*, a study on the state-level implications of federal monetary policy in the U.S. (Carlino and DeFina 1998, 1999). On the other hand, there are several available studies related to the *ex ante* evaluation of *supranational* macroeconomic policies by the creation of monetary union in Europe.

An interesting observation made by Genberg (1999) notes that the creation of a monetary union may lead to larger fluctuations in the demand for goods imported from countries beyond the Union if the economies of the member states become more synchronised, as was argued by Frankel and Rose (1997). Studies based on data for European *regions* and not only countries (Bayoumi and Eichengreen 1993, Grauwe and Vanhaverbeke 1993, Forni and Reichlin 2001, Fatás 1997), indicate that international differences may indeed be declining, but at the same

time domestic differences seem to be on the increase. The implication is that some regions are increasingly out of step with others. It may therefore come as no surprise that these areas are comprised of several peripheral regions such as Sicily and most of Greece. Unfortunately, regional data from the Nordic countries is absent from the studies mentioned above. We would not be surprised however, if regions classified as peripheral along traditional dimensions, in general turn out to be peripheral in this respect as well. As such one area worthy of further study should be: Regions in the Nordic countries susceptible to increased macro risks should be identified.

Regions susceptible to increased macro risks

The domestic effects mentioned above are related to the lack of synchronised business cycles across regions. There are also a number of less obvious connections working through institutions. Monetary policy may impact in very different ways in different regions, leading to significantly different real effects in the short run – even when industry structure is identical – because of capital market imperfections (Carlino and DeFina 1998). The basic argument is that monetary policy not only affects the real economy through the interest rate (the traditional Keynesian transmission mechanism or *money* channel), but also the size of an external finance premium that exists because of information asymmetries between borrowers and lenders (the *credit* channel). Evidence exists supporting the view that contractual monetary policy has the strongest real effect in regions with small banks and small firms (Hanson McPherson and Waller 2000). Moreover, it would not be surprising if the regions identified as those susceptible to increased macro risks are also the regions where the credit channel is likely to be most important.

Another possible mechanism of particular interest to the Nordic countries works through the effect on “wage setting” institutions. A number of recent studies discuss the connection between supranational macroeconomic policy and the feasibility of co-ordinated wage setting (Calmfors, 2000, Holden 2001). There is an identifiable and significant connection between centralised or co-ordinated wage setting and wage compression (Wallerstein, 1999). Wage compression pertains also to regional wage differences (Moene and Wallerstein, 1997). While there is also a possible connection between centralised or co-ordinated wage setting and investment in new technology, in particular in regions with a certain amount of “slack” in their local labour markets. We call this effect the Rehn-Meidner effect after the Swedish economists Gösta Rehn and Rudolf Meidner who made the argument in the early post-war period

(Rehn 1952, Meidner 1974). If co-ordinated wage setting is replaced by local wage setting, we expect relative wages to fall and technological change to slow down in peripheral regions compared to the economic core regions. This is a good example of the importance of the need for fuller comprehension of the “bigger picture”: The effect of macroeconomic policies on the regional economy through the change in wage setting institutions may mistakenly be attributed to the design of a regional or sectoral policy. Again this reminds us that we need to know how the backdrop is likely to change from policy-off to policy-on, in order to evaluate the impact of policies *ex ante* as well as *ex post*.

The centralisation of macroeconomic policy potentially has an important impact on regional economies. An understanding of how the regional economy is affected is therefore necessary in order to make informed choices between different the policy designs and different policy instruments to be targeted at the regional level.

Channels of influence

Several possible channels of influence are identified and should be made the object of further investigation. One such channel is that of the effect on the level of collective bargaining. If collective bargaining is made less centralised, there is convincing evidence that wage dispersion is increased. This is also claimed to be true for the regional dispersion of wages, but more evidence in this respect would be welcome. If wage dispersion is increased there are also reasons to believe that the rate of change in the industrial structure will slow down, as studies on Swedish data seem to indicate.

The second channel identified, is that through the interest rate itself. A division of regional industrial composition into interest rate sensitive and insensitive industries provides information on how vulnerable regional production may be to a change in monetary policy. The impact depends on the particular industry-mix, but also on capital market imperfections. Information on regional financial structures may give some hint of the imperfections, as suggested by Hanson McPherson and Waller (2000).

The third channel is that which functions through the effect on regional macro risks. By regional macro risks, we mean the extent of fluctuations in the regional economy, the degree of synchronisation with national and supranational economic cycles and the degree of “predictability”. Knowledge of regional macro risks could provide policy guidance by highlighting which regions were most vulnerable, and how such macro risks change for the better or the worse over time. Although agreements such as the “Growth and Stability Pact” may constrain the

overall size of the public sector, the relocation of public sector employment from low -risk to high -risk regions would provide more insurance through automatic stabilisation where it was most needed.

Regional consequences?

The policy consequences of relevance here include those with relating to “regional policy” in the widest sense of the term. They can be seen as ranging from inter- or intra-regional equalization systems to measures aimed at regional (economic) growth and development. Consequences include for instance:

- Basic standards of welfare.
- Employment in the public sector.
- Access to services for households.
- Business conditions, i.e. opportunities for growth for the enterprises concerned.
- Degree of mobilization of regional resources, especially of human capital.

Governmental responsibility for welfare can be partly connected to the social security system, and partly to the authorities responsible for the individual and national security (legal system, national defence).

Measured in direct terms, employment in the state sector varies greatly between local labour markets. Some regional centres, centres with significant levels of activity within the defence sector, in addition to the capital regions have high concentrations of state sector employees, whilst many rural areas and small communities, dependent on small industries, usually have a low degree of state sector employees. However, where the economic basis has been eroded but public service levels maintained, one often finds very high proportionate levels of employment in the greater public – i.e. municipal and state services-sector.

The *Public service sector* includes a variety of services ranging from postal services and railways to higher education and university research, as well as various parts of the public authorities’ own functions. Access to these services must therefore be seen as a priority on different geographical levels, as postal services for instance involve services on the local level, whilst access to R&D resources is more of a concern for larger regional entities.

Opportunities for growth are in turn connected to both communications infrastructure and to the availability of qualified labour with university degrees. In both of these areas the state has an important

responsibility. Thus it is obvious that the State plays an increasingly important role in both regional and national innovation systems.

Skills shortage is an issue of increasingly grave concern as such shortages hinder the stimulation of the *mobilisation of regional resources*. Regional actors who are organised in such a way as to implement a shared strategy and to co-ordinate their resources are thus of increasing relevance in this field. This is currently taking place for instance in Sweden, with the implementation of the Regional Growth Programmes (*regionala tillväxtprogram*). The role of the state in this context is thus in the final instance one of diminishing “central steering” on a detailed policy level, while contributing to the level of resources needed to support this type of strategy work aimed at regional profiling, and ultimately to control the better utilization of such resources.

2. Employment in public and state sectors – regional distribution of recent changes

Geography of public sector employment

In the following results are high-lighted concerning the public and state sector employment in the areas of administration of the state (including support services for the government), provision of services to the community as a whole (including foreign affairs, justice and public security), education (higher education), human health services (hospital services), cultural activities (including library, archives and museums), air, post and telecom services.

The maps in the following pages show the share and change of public sector employment in four sectors: administration of the state and the economic and social policy of the community, provision of the services to the community, higher education and hospital services. Employment figures show day-time employment (*dagbefolkning*). Classification of employment sectors is based on international NACE criteria. Labour market areas used for maps follow national classification in each country. Due to large variation of the size of labour market areas figures of employment change tend to be show relatively high increase or decrease on small labour market areas. It should also be noted that changes in Finnish maps are measured over a three years period instead of four that is used for other countries. Classification of labour markets in terms of centrality: capital, regional centres, periphery and other is explained in Appendix.

In terms of the overall changes in the public and state sector employment – as defined by sectors in Table 1 – all four countries have experienced a slight increase in national terms, with Finland having experienced the most significant increase (10.3%). In relative terms, all sectors taken as a whole changes have remained limited however. As the years included in the analysis are limited to between 1995 and 1999, it seems fair to say that the post-recession changes have not played themselves out in a particularly dramatic fashion during this period. Naturally shifts in public employment figures are likely to become visible only in a longer time-perspective. Picture changes somewhat (though only marginally) when the different types of regions are considered separately, as both metropolitan areas and the regional centres have increased their share of employment and peripheries have decreased,

except in Finland (with a slight 3.7 % increase). Largest loss in peripheral regions has taken place in Sweden (5.9%).

The rather harmonious picture changes somewhat when the statistics are considered in different areas of activity. The fact that relatively largest changes have taken place in the higher education sector, as will become apparent in the closer description of the figures below is hardly surprising, as the sector has undergone major changes in all Nordic countries since the mid-1990s.

The share of *employment in administration of the State and the economic and social policy of the community* (NACE 751) show that the dependence of public sector employment is still quite clear in the northernmost areas and in inner Norway. (Figure 1 and map on page 129). The numbers behind the diagrams figure 1-7 are shown in Table 2. Highest share is in Norway (4.5%) although there has been decline during the period 1995-1999. The trend is similar in Denmark where the employment share is relatively high (3.5%) but employment has declined. The highest figures are found typically in small labour market areas such as Uukuniemi (20.57%) and Enontekiö (13.87%) in Finland, and Brønnøysund (11.34%) in Norway. In Stockholm region employment has increased by 29.8% and in Oslo 7.8 %. Generally in the capital areas the employment shares are at the same level with country averages – highest share is to be found in Oslo (5.91%). In Denmark employment has increased only in a labour market area (Års with +36.2%) and even decreased in Copenhagen (-6.6%).

On the “average level” (i.e. national figures) the administration of the state (NACE 751, Figure 1) has experienced a loss of employment in Denmark and Norway (Denmark -14.1%, Norway -10%), whilst Sweden and Finland have increased their share of employment in this sector (6.2% in Finland and 7.5% in Sweden). Once again the changes are regionally differentiated, with Norway and Denmark having experienced considerable decreases in the peripheral regions, Sweden having experienced largest decrease in the periphery (relatively small decrease though, i.e. 9.7%) and largest increase in the metropolitan regions (29.8%) and Finland demonstrating a dual development of non-metropolitan areas, i.e. the largest increases in public sector employment having taken place at the same time in the regional centres and in peripheries (11.9% and 9.3% respectively). The metropolitan areas have hence not been the “winners” in this sense.

Employment in the *provision of services to the community as a whole* (NACE 752) has increased in Finland, Norway and slightly in Denmark but decreased significantly in Sweden (13.2 %). Figure 3 and

map on page 130. Employment in this sector is found almost everywhere with an exception of some small Finnish labour market areas. These services are particularly important at peripheral labour markets (with 3-3.5 percent of employment), except in Sweden (less than 2 percent of employment in the periphery) (Figure 3) National shares are almost at the same level in all countries in 1999 (between 1.96 and 2.38 %), the lowest number registered in Sweden, where employment in this sector had declined significantly (-13.2%) during the preceding five years. In the capital regions employment share is around that of the national average and it has increased all other cities (most in Helsinki +9.5%) except in Stockholm in that it shows decline (-9.3%). Garrisons and border guard detachment explain high shares of employment share in this sector in the North and border areas in that the labour markets are also relatively small. Some small labour market areas in Sweden have also experienced strong increase, in some cases because of expansion of prisons. In Denmark there has been relatively big changes on single labour markets (around +/- 30%).

Though the all-around picture is not dramatic in terms of the public employment shares, there are sectors where the changes have been more considerable. Interestingly enough these include *higher education* (NACE 8030, figure 2 and map on page 131). Here all areas have experienced a growth in public sector employment, ranging in national terms from 29.1% in Finland to a less significant 8% in Norway (all-around increase in education sector as a whole in Norway has however experienced a 20% increase in Norway and 11.3 in Sweden). Denmark has once again been the Nordic country with the least changes in terms of employment.

The differentiated regional impact of the higher education is clear across the Nordic countries. Whilst Norway is the country with the most considerable investments in terms of the public sector employment in the peripheral regions (46.3%), Finland's share has increased more noticeably in the metropolitan (30%) and in the regional centres (24.9%), whilst the peripheral regions have increased a relatively low increase when considered in light of the national average (10% in comparison to the national increase of 29.1%). Considering the low level of increase in terms of higher education employment in Norway as a whole (8%), the remarkable increase in the peripheral regions becomes even more interesting: it seems that the peripheral regions have been the relative "winners" in terms of creating new jobs in this area. Higher education in Sweden is to a lesser extent concentrated to the capital region, but rather decentralized to regional centres.

In Finland there has also been relatively high increase in some minor labour market areas, which can be explained by establishment and enlargement of polytechnics and university activities (Lahti, Pori, Pieksämäki, Kokkola, Tammisaari in Finland).

The map also shows establishment of new activity in the sector: for instance in Denmark employment has increased in Rønne/Bornholm/ (by 7 employees): In Finland in Harjavalta (+21), Pieksämäki (+24), Huittinen (+30); in Norway in Narvik (+ 91) and Molde (+78) and in Sweden in Hällefors (+18), Markaryd (+13) and Filipstad (+13).

The sector of public *health activities* (NACE 8511) has not experienced major changes in any of the countries under analysis. Employment has increased in Finland and Norway, decreased slightly in Denmark and more significantly in Sweden. Highest national share is still in Sweden (5.6%) and in Norway (4.4%), (Figure 4 and map on page 132) or has developed rather steadily in Denmark, maximal changes being around +/- 20%. In capital labour market areas the employment in hospital activities are similar to national average except to Stockholm in that it is somewhat higher (1.3 percent units). There has been increase in employment only in Oslo (+14.0%) during the five year period. In Norway there has been some major changes: high increase in some smaller labour market areas (Fauske, Brandbu, Sønd/Souda) and significant decrease in some bigger areas (Sandnes, Sarpsberg). There have been relatively few new establishments of activity in the sector as a whole.

The sector of *culture-related activities* (NACE 9251, 9252, 9253), ranging from libraries, archives and museums to nature reserves and botanical garden, has remained very stable, with an over-all change of 5.4% (in Norway) to -2.6% (in Sweden). The most remarkable changes in employment in this sector can be found in Finland, where a shift has clearly taken place in employment terms from the peripheral regions (with a *decrease* of 9.7%) to metropolitan regions (having experienced an *increase* of 15.6%). This may however not necessarily imply a straightforward shift in employment in the peripheral regions to the metropolitan ones, as the persons employed in this sector in the metropolitan regions can equally well have been recruited from other professional sectors within the metropolitan regions themselves, as this area has experienced a general boost within the metropolitan regions between the years in question (1995-1999).

On the “average level” (i.e. national figures) the *scheduled air transport* (NACE 6210) experienced an increase of employment in all Nordic countries in the last part of the 1990s. From Denmark’s modest

increase by 12% to Norway's 59%. Sweden and Finland increased employment in this sector by 22-26 % in five years. Once again the changes are regionally differentiated. In Sweden, regional centres experienced a rapid increase and almost double employment in this sector, while growth in employment was modest in the capital region. The importance of air services in Norway is shown in Figure 5 – employment in the sector is larger in all regional categories than in any other country.

At the country level *Telecommunications activities* (NACE 6420) has experienced a loss of employment in Sweden (-26%) and Norway (-8%) but increase in Finland and Denmark. All countries have experienced considerable decreases in the peripheral regions, Finland and Norway having experienced largest decrease in the periphery (-40 to -44%) and in Norway and Sweden also in other small regions (-38 to -50 %). Norway stands out with a comparatively centralized employment pattern in this sector – the capital region is favoured in comparison to the regional centres (Figure 7).

At the national level *Post activities* (NACE 6411) has experienced a loss of employment in all Nordic countries except Denmark. All countries have experienced considerable decreases in the peripheral regions, Norway having experienced largest decrease in the periphery (-30 %) and in other small regions (-15%) and largest increase in the metropolitan region (14%). The relative importance of postal services at regional labour markets is quite similar in all countries and regional categories (Figure 6)

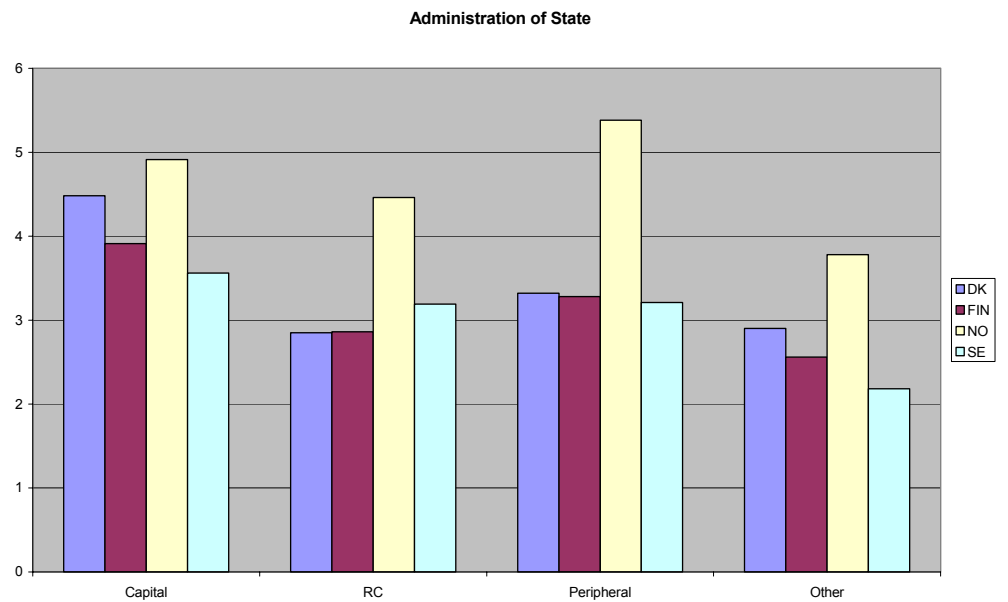


Figure 1. Administration of the State. Share of total employment in four regional categories 1999.

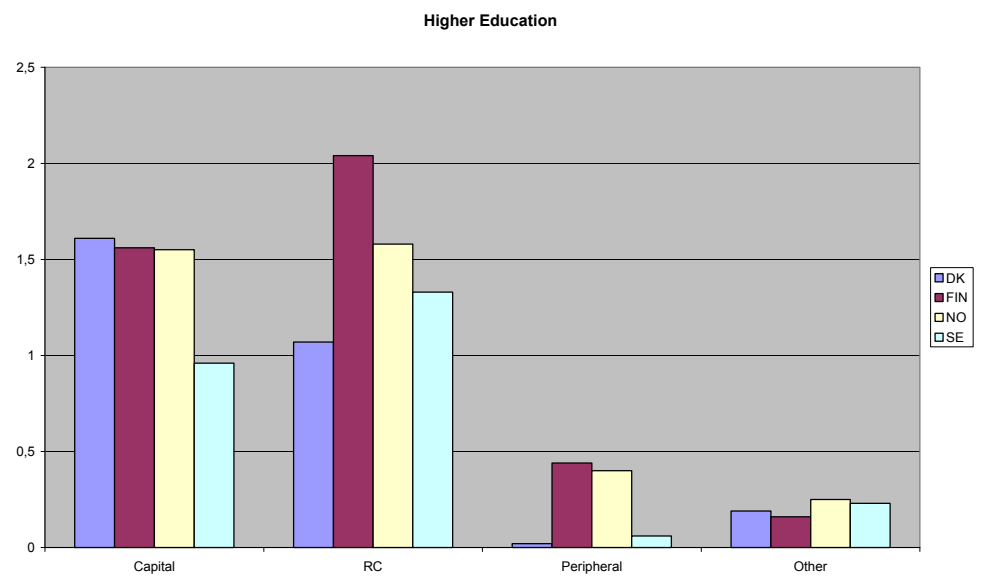


Figure 2. Higher Education. Share of total employment in four regional categories 1999

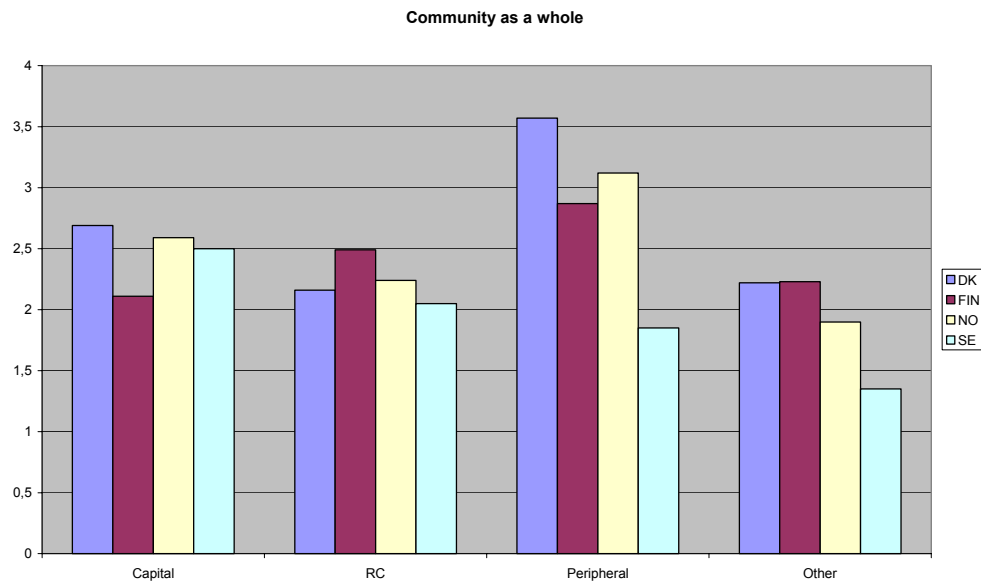


Figure 3. Service to the Community as a whole. Share of total employment in four regional categories 1999

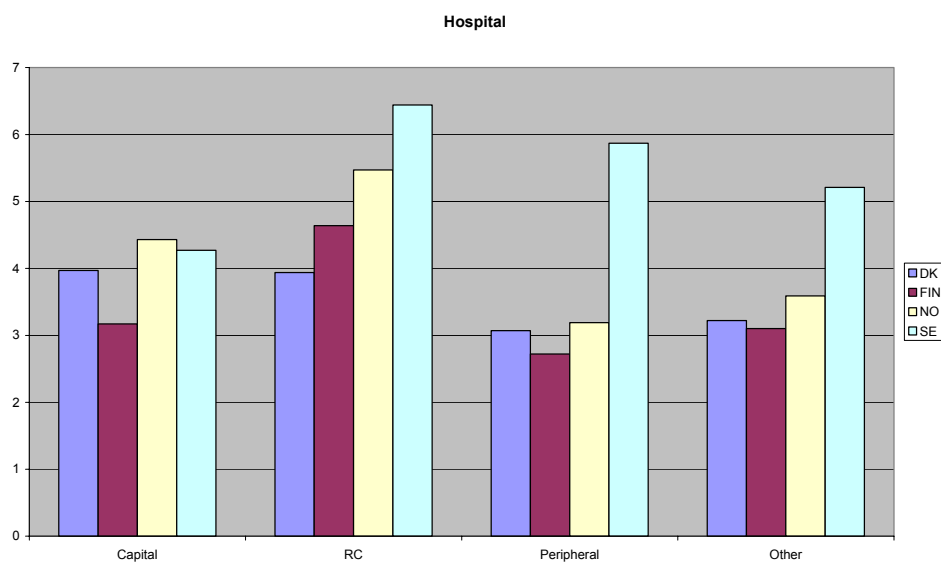


Figure 4. Hospital activities. Share of total employment in four regional categories 1999

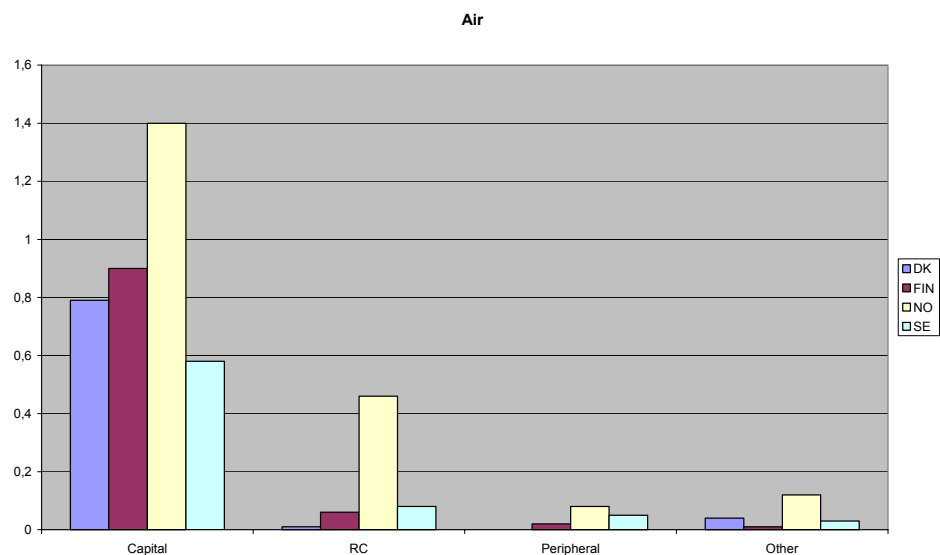


Figure 5. Air services. Share of total employment in four regional categories 1999

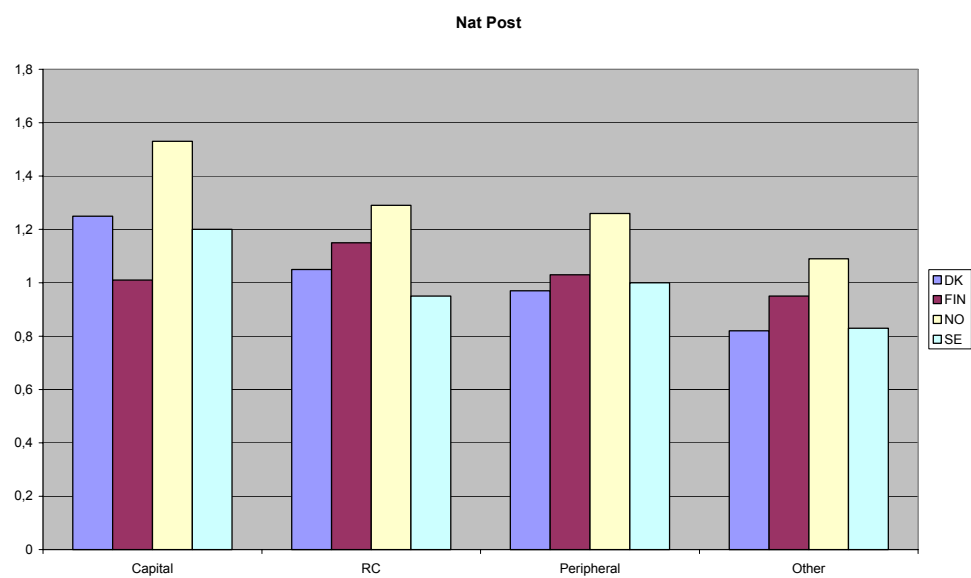


Figure 6. Post services. Share of total employment in four regional categories 1999

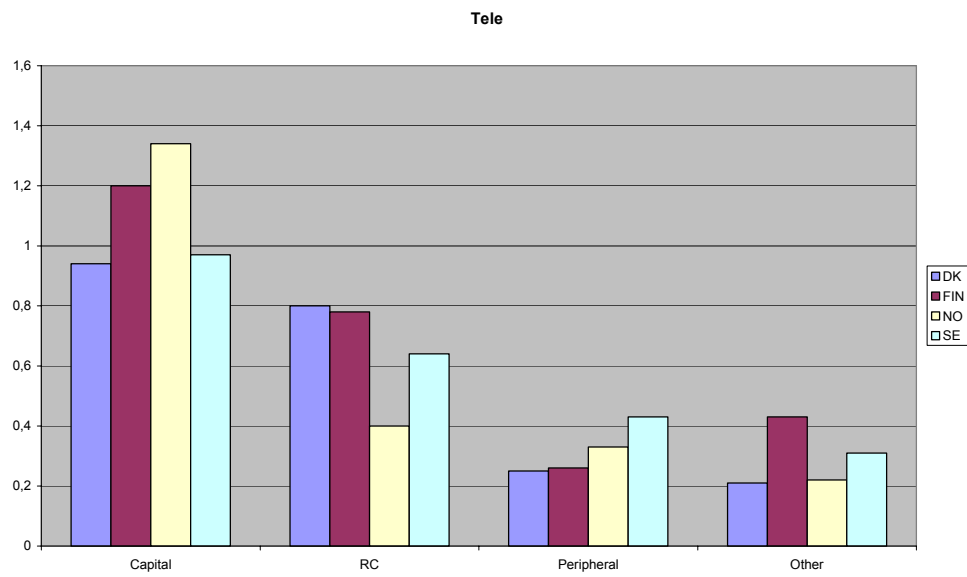


Figure 7. Telecommunications services. Share of total employment in four regional categories 1999

3. Restructuring of the state sector in Nordic countries – national overviews

Denmark: The ongoing decentralization of competences throughout the 1990s

The Danish governance structure has been marked by a high degree of decentralization throughout the 1990s. There are now very few services provided by the state in the regions, and national authorities are mainly involved in the implementation of indirect measures, such as regulating and providing co-financing for the services provided by the municipalities and the counties.

Thus the federal system in Denmark can be described as one consisting of “decentralized competences”. One could however pose the question, *how far can one go in this decentralization?* The most recent years have however continued to be characterized by this ongoing decentralization process, with few exceptions. This has resulted in somewhat different levels of service provision across the different regions of Denmark. The debate on differentiated service levels in the regions and the problems of economic sustainability faced by municipalities in certain regions should be followed closely.

Thus Denmark now seems to be faced by several possible alternative future paths based on the developments of the 1990s. One is the continued path of decentralization – only now using tendering procedures to make private companies themselves actually provide the services. To make this path successful, a very close eye would have to be kept on the use of standards to ensure and maintain quality. This is the path for instance most likely to be followed within the railway transport sector. The other path seems to be that of increased centralization, moving away from the lower levels of the administration tasks that require economies of scale or national political control of service levels. This path may become more relevant, if and when ICT technologies make such centralization politically less problematic. Finally, one should mention the possibility of a general reform of the federal administrative system. Such an initiative would require tighter control from national politicians with constituencies in the peripheral regions. In this case however strong lobbies against major changes in the system may ensure its survival.

The liberalization of communications and infrastructure

The trend within *communications and infrastructure* in Denmark in particular within the last five years seems to have been generally towards decentralization and liberalization. More tasks have been delegated to lower levels of the administrative system and several services are moving towards market competition through the use of e.g. calls for tender. It should be noted however that the use of market mechanisms to obtain possible efficiency gains has resulted in further centralization in the sense that regional agencies have been merged. This indicates that Denmark is too small a market for strongly anchored regional private businesses providing certain kinds of services within the overall infrastructure of the state. On the other hand, advances in the regulation/deregulation of markets within the European Union leads to liberalization within public and previously strongly locally founded infrastructural services. As local (public) suppliers are merged and trimmed to prepare for the liberalizations within the union, the local embeddedness of these services is thus gradually weakened.

The provision of road infrastructure has been, and continues to be a shared responsibility across different administrative levels of the Danish federal system, after the various state agencies, counties and municipalities were delegated the tasks of construction and maintenance of various types of roads. Smaller roads connecting areas within municipalities have become the responsibility of the municipalities, while larger roads within regions and between regions lie within the operational field of the counties. Finally, major highways are the responsibility of the state agencies.

A tendency towards increased delegation to lower levels in the federal administrative system needless to say characterizes recent developments. Counties were from January 1, 1998 given additional responsibilities for about 3000 km. of the trunk road network previously taken care off by state agencies (see Opgavekommisionen 1998b). In addition to this direct delegation of tasks taking place upon the basis of political negotiation by the different authorities within the administrative system, a kind of indirect delegation seems also to have taken place recently. The combination of impatience on the part of both the regional authorities and the politicians, and the tough national budget constraints imposed upon projected appropriation levels for highway construction, have all favoured a further move towards indirect delegation.

The County of Southern Jutland (Sønderjyllands Amt) decided on June 26, 2000 to finance and maintain a highway from the north-south state highway in Jutland to the region around the city of Sønderborg, at

its own cost. In 1999, there were in total 71,591 kilometres of road in Denmark of which 1,629 kilometres were the responsibility of state agencies, 9,967 the responsibility of the counties and 59,995 kilometres of the municipalities. This number is likely to increase further, as a political agreement of January 24, 2001 ensured improvements on major highways in the Copenhagen area, a new stretch of major highway on Lolland, a new stretch of major highway on Fyn and another two new stretches of highway in Jutland.

Public transportation in Denmark is provided through three main channels. Railway transportation is provided by the state owned company DSB. From being the sole supplier of railway transportation, DSB is now set to find itself operating in a more competitive market in future as rail transportation is to be liberalized. Plans currently exist to offer up 15 percent of this business area in a public call for tender in 2003, where DSB itself will be permitted to submit offers as simply one of a number of potential suppliers. Counties were delegated responsibility for a number of local private railroads in 2000 and they also maintain responsibility for the supply of regional transportation by bus.¹⁰

Telecommunications initially had a strong regional focus in Denmark. At the beginning of the 1990's there were four regional telephone companies supplying services to each of their local areas (Jysk Telefon, KTAS, Fyns Telefon and Tele Sønderjylland). These companies were run by means of a representative system, ensuring some degree of local involvement. This changed dramatically during reorganization in 1995, where all the regional telephone companies were merged into *Tele Danmark*, which has the national government as one of its key stakeholders.

Moreover, in the area of IT more generally we should note that there have been a number of initiatives developed with regard to the creation of "high speed IT connections to everyone", as well as the rolling out of distance learning applications (including the "virtual" university).

Danish labour market policy: The two-level labour market

The Danish *labour market policy* consists of two levels: locally embedded state agencies at the county level, and the municipal agencies. Furthermore non-regional bodies oversee the administration of unemployment benefits (*Arbejdsløshedskasser*). The local state agencies are engaged in the labour market policy process through the AF-system

¹⁰ See Trafikministeriet (1999) for a more elaborated explanation of the licensing system.

providing employment services, which consists of 14 AF-regions corresponding to the counties of Denmark. Each region is responsible for matching activities on the local labour market for insured unemployed – the insurance being non-compulsory. This task is pursued through a regional main office and a number of local job centres. The AF-regions are formally the responsibility of the Ministry of Labour (*Arbejds-markedsstyrelsen*), but this has to a large extent been delegated to a regional board (RAR) composed of appointed local politicians, union leaders and others. The alignment of incentives between the local and national authorities is ensured by the signing of contracts setting up the goals and general conditions under which local labour market policies can be pursued (*mål- og rammestyring*). The AF-regions are responsible for the finding of jobs for those registered as unemployed, and also for the supply of information. The main tasks of the AF-system include:

- 1) Offering services to persons looking for employment and persons choosing education.
- 2) Offering services to companies in making sure that unfilled vacancies do not remain unfilled, making sure that temporary vacancies are filled, providing information with respect to possible subsidies, providing services with respect to courses and supplementary training including job-rotation.
- 3) Surveying the local labour market, so as to be able to act quickly as and when potential problems emerge.
- 4) Ensuring the activation of unemployed insured persons by providing services such as individual action programmes to integrate the unemployed into the labour market and providing them with employment.

Since the 1990s, decentralized labour market policies have become more active, combined with the formal liberalization of job matching services. The AF-system dates back to 1970, but it was only on January 1, 1990, that the formal obstacles to private job centre services were removed. Since then the number of specialized bureaus have increased, though at a relatively moderate rate. Recent debates on the issue have proposed an increase in the use of private bureaus for publicly financed job matching activities. It comes as no surprise however that such an approach has not garnered much support within the political system as

such changes in labour market policy potentially alter the regional embeddedness of labour market policy itself.¹¹

More active labour market policies were introduced in the 1990s, including a wholesale labour market reform in 1994. This reform was designed to produce a more active labour market policy and was the result of conclusions drawn by a committee (Zeuthen-udvalget) set-up to analyse the state of the pre-1994 labour market policy. Among the most important conclusions arrived at by this committee was that previous attempts to activate the unemployed were often characterized by highly standardized procedures not necessarily targeted precisely on the given individual and the local labour market in which the person concerned was to be employed. The rules on entitlement to unemployment benefits moreover were also tightened during this reform period, as new guidelines were set out to counter the perceived deficiencies of the old system. As a whole the reform package contained a significant dose of decentralization leading local labour market policies to be determined by AF-regions, locally operating companies and unemployed in the local area. RAR became an important player in local labour market policies, as this organ set up the general guidelines for local policies. A number of duties were also decentralized in this respect and emphasis placed on the possibilities of better adjusting general labour market policies to local characteristics.¹²

There are further two issues both of which have some degree of local embeddedness in Denmark. These concern the work environment and education. The work environment is the responsibility of The National Work Environment Authority (Arbejdstilsynet), which is an agency under the Danish Ministry of Labour. It is organized into 15 regions, each of which has responsibility for surveillance and for the giving of advice on the local work environment. Furthermore, there is also a locally embedded system of labour market education. Some of these activities are however undertaken by the already mentioned institutions. In addition however the AMU-system needs also to be mentioned here. Basically it is a system of local labour market attached education that offers vocational and vocational supplementary training. There are currently between 180-200 approved education centres supplying this training. The major suppliers of this training are the 24

¹¹For more details on the development and status of the AF-system, see Arbejdsministeriet (2001).

¹²See www.amu.dk for further details. See also Arbejdsministeriet (1999).

AMU-centres spread across the country, which themselves encompass around 90 educational sub-centres.

Over the last decade, this system has found new direction after mutating from a public system of educational training for the unemployed into a system aimed at the wider delivery of services to the mature part of the workforce in general.

330 institutes providing higher educational services

Higher education and research in Denmark has been relatively stable in terms of the distribution of tasks across the various administrative levels. Recent years has thus seen only moderate changes, the most significant being the merger of different educational institutions in different parts of the country into “The University of Southern Denmark” and intensified cooperation across Öresund establishing the “Öresund University”.

According to *Civu* (The Centre for higher education), there are 330 different institutions providing higher educational services in Denmark – ranging from primary vocational and business schooling to universities. It should also be noted that a number of private initiatives within education have recently been established. These initiatives mostly take their point of departure from one or more private companies aiming at the provision of education for their own staff.

A further initiative of note is that of building a regional system of tertiary education below university level across the regions (CVU). This would be designed to ensure the provision of qualified labour across peripheral areas of the country. The Law providing for the set-up for such centres was passed in 2000.

The total extent of research funding has increased markedly particularly since 1985. In 1997 prices, research funding by private companies had increased from just under 5 billion DKK in 1985 to about 8.5 billion. The corresponding level of public funding increased from about 6 billion in 1985 to over 13.5 billion in 1997.¹³

Contributions to the total amount of public funding for research have been made from across the various levels of the administrative system. For instance, the counties and municipalities contributed some 697 million DKK in 1997. For the five year period from 1994 to 1998, this funding increased from 497.1 million DKK in 1997 prices to 719.9 millions DKK in 1997, an increase of some 44.8 percent in fixed prices. Although colleges and universities are formally under the control of the national authorities, much interest exists in research at the lower levels of the administrative system. Such interest is most clearly reflected in the

¹³ See Forskningsministeriet (2000).

theme based research institutions (*sektorforskning*) that focus on regional aspects of society. The largest of these institutions is the AKF (Institute of Local Government Studies) located in Copenhagen, which maintains a close connection to the NALAD (The National Association of Local Authorities in Denmark). Another example is The IFG (Institute of Border Region Studies) located in Aabenraa, which specializes in research themes associated with borders and border regions and which has a close connection with the County of Southern Jutland (Sønderjyllands Amt). Note, though that these are not the only thematically organized research institutions in Denmark – according to Sektorforskningens Direktørkollegium (SED IRK 2000) there were in total 29 such research institutions to be found in Denmark. These research institutions are however largely concentrated in the Copenhagen area. Indeed, of the 29 such institutions mentioned above, 24 are located in the Copenhagen area, whilst on the other extreme; the region of Fyn has no theme based research institutions at all.

Finally, it should be noted that a decision was taken in 2000 to set up a centre for research on rural districts. It is hoped that the centre will contribute to increasing the sustainability of rural districts through research, providing information and developing concepts for rural districts.

The spatial consequences of structural changes in the Finnish state sector

79 000 less civil servants in the state sector

The Finnish public sector has undergone a number of important structural changes over the last 20 years, (note that the reform process had begun long before the early 1990's recession). Throughout this period public sector expenditure and employment were reduced and several fundamental organisational reforms implemented across all levels of the public administration from central government to the regional and municipal levels. The spatial impact of these changes has been substantial, though surprisingly perhaps over-looked as a research topic.

In total, public sector employment decreased throughout the 1990's (1991-1997) by about 91 000 employees, of which 79 000 came from the state sector, and 12 000 from the municipalities. Employment in the municipal sector was lowest in 1993 but has steadily increased thereafter. This increase has however occurred only in Southern and Western Finland, whereas in Lapland and Eastern Finland, regions that have in fact traditionally been more dependent on public sector jobs, employment has continued to decline (Elinkeinoelämän valtuuskunta 1999).

The four main state sector structural reform processes having significant spatial impacts are:

1. The privatisation of previously state-run agencies and companies into private firms or corporations, and the subsequent closure of state local and regional offices or the cutting of services.
2. Reform of the regional administration.
3. Reform of the municipal equalisation system, i.e. the level of subsidy given to the municipalities, though this has inevitably seen a decline in the level of financial support, it has given the municipalities more freedom to organise their service production; and finally.
4. Changes in regional policy – both in terms of objectives and instruments.

In what follows structural changes in the state sector as well as their impact are described by means of focussing on a few specific sectors, namely, transport infrastructure and communications, labour market policy, education and research, and regional policy. Three of these specific sectors are of particular interest with regard to regional development planning will be subject to a more systematic comparative analysis across the five Nordic countries in Chapter 4. Hence, these sectors are only briefly described in this chapter, they are:

- Transport infrastructure and communications.
- Higher education and research.
- Regional development policy.

From state offices to corporations

In terms of transport and communications infrastructure planning the policy objectives have been, and still are, set and administered centrally by the government (Council of state) and by the Ministry of Transport and Communications (*Liikenne- ja viestintäministeriö*). The decentralised forms of the Finnish National Road Administration underwent a reform at the beginning of 2001, where it was divided into an administrative body having the status of a governmental department, i.e. the Road Administration (*Tiehallinto*) and an unincorporated state enterprise Road Production (*Tieliikelaitos*), with road administration decentralised to the state regional level, i.e. to the state provincial offices with 9 road districts (*tiepiiri*): Uusimaa, Turku, South-Eastern Finland, Häme, Savo-Karjala, Central Finland, Vaasa, Oulu, Lapland.

These changes emphasise the shift towards a system that is more in line with the provision of services ethos, and with the private sector. Organisational reform has led to reductions in staffing levels mainly outside the densely populated areas of Southern Finland. One of the key trends in communications and transport in recent years has been the shift from purely public sector activities to increasingly partnership-oriented ones, as indicated for instance by new types of funding solutions such as those in connection with the building of the Lahti-Heinola and Porvoo-Loviisa motorways.

One major trend visible throughout the 1990s was the metamorphosis of state offices into corporations: The Post and Telecommunication Administration was divided into two separate companies (*Suomen Posti Oy – Post of Finland Ltd* and *Sonera Oy/Ltd*), State Railways became the VR-Group Ltd (*VR-ryhmä Oy*) and the National Board of aviation was privatised into the Civil Aviation Administration (CAA, *Ilmailulaitos*). When the Post of Finland began as a privatised company, it immediately set out to make drastic cuts in its workforce, this objective was achieved with the number of employees diminishing by 12 000 in the years 1989-1993.

The number of post offices has declined by several thousand, while the Post of Finland is planning another administrative reorganisation and the closure of a further 250 post offices this year. While the first *tranche* of post office closures severely affected rural areas, where post, shop and school were often the only services available, the latest closures will be carried out predominantly in Southern Finland where the density of post offices is now highest. The Post Office has already contracted out many of its services to private enterprises (usually they are food stores that also have a Postal service point – there are around 500 such service points at time of writing). A number of other postal services, such as express consignments, are also increasingly offered privately.

The privatisation of the telecommunications sector has been hotly debated because of the sensitive nature of the share issue, which saw significant state given to Sonera who then invested extensively. The recent economic downturn has seen this particular branch of the economy hit hard. Meanwhile, the state is still the biggest owner (53 %) of the company. It has been calculated that the share issue entails a level of financial support equal to FIM 600 *per annum* from each taxpayer to the company. However the state has also profited from the crisis in that it has been able to sell shares three times in a short period, accruing some FIM 40 billion to the public exchequer.

The privatisation of the telecommunications branch of the old postal services business has had a major impact on the overall market, though this has not entailed major differences between regional price levels. In terms of the prices of local phone calls, some convergence has even occurred in recent years, as for instance in 2000 the cheapest local calls in southern Finland came into line with other parts of Finland thus becoming more expensive. The highest price levels are still in Eastern Finland however. Major expansion has of course occurred in recent years for instance in terms of the “broadband” connections now offered to households. These too have regional price differences, with the cheapest services (at the beginning of 2000) being offered in Helsinki. The extensive increase in the use of mobile telephones has naturally had a balancing effect with regard to regional differences in the communications sector, as prices are the same across the country.

Lower service levels in rural areas

Structural changes in the traffic sector have lowered service levels, often in predominantly rural areas. The closure of some railway stations and tracks has occurred in the more peripheral regions mainly in Eastern and northern Finland. At the same time public bus connections have reduced substantially which has also hit sparsely populated rural areas – in urban areas the supply has in fact increased. Bus transport is partly organised by municipal companies (mainly in urban regions), partly privately owned, and has traditionally been supported by both the state and the municipalities. State support for “buying” public transport services (including rail and bus transport) is around 400,000,000 FIM for the year 2001.

Municipalities support public transportation to an even larger extent as they for instance “buy” transportation for schoolchildren. To substitute diminishing bus connections in the sparsely populated areas, several municipalities have started so called “call-taxi” systems where people call a taxi when they need transport for example to the municipal centre. The price of such transportation is subsidised and thus reduced to that of public transportation. Also a region-based ticket system in urban areas has helped rural municipalities around cities and towns to keep their bus transportation services at a fair level. The regional ticket system is supported by state. About half of the 450 Finnish municipalities take part in this system.

In addition to the financing innovations outlined above, a key feature in recent years (in Finland as everywhere else) has been the change in petrol prices, which themselves have seen two types of regional repercussions: *Firstly*, those living in peripheral areas and thus those

often more dependent on private modes of transport and those at a longer distance from services and jobs, have suffered relatively more from price increases. *Secondly*, regional variations in petrol prices have had an effect, though due to the nature of different local competitive environments, price differences do not always directly correlate with transport distances.

Domestic flight traffic is also of particular importance in Finland because of the geographical size of the country and the long distances this entails. Ongoing changes in the aviation sector have however not had any major discernable spatial impact. The network of national airports is relatively evenly spread across the country. The biggest airports are in Helsinki and Oulu and the connection between these two is the busiest in Finland both in terms of domestic passenger and freight traffic.

Despite open competition, Finnair (which is a partly state owned limited company) is the main carrier in the domestic traffic market it has thus been possible for them to maintain even the more unprofitable connections to small towns. Flight traffic has in general increased during 1990's the main portion of this being international flights. It is however expected that the ongoing depopulation of the countryside and the increased concentration of the population to the larger cities will eventually affect the demand for domestic flights, which may in time diminish. At the same time however the increased pressure of rising levels of international traffic at the largest airports may in fact be the saviour of the smaller regional airports, which themselves may increasingly take on international traffic making them viable rivals to the larger airports in the domestic capital area and in neighbouring countries.

Labour policy influenced by the EU

Labour offices, numbering 178, all of which are located in the municipalities providing basic services for job seekers, function under the supervision of the Ministry of Labour. Labour policy has been strongly influenced by Finnish EU Membership, as this has brought both new funding opportunities (through the European Social Fund and the European Regional Development Fund in particular) and new policy practices (the adoption of European policy instruments such as the yearly National Employment Programme (NEP)).

Policy instruments and activities aimed at improving employment have increasingly come to reflect similar aims to those of other policy areas, such as expertise, life-long learning, information society and entrepreneurship. In the hope of decreasing regional disparities in terms of unemployment levels and with regard to addressing the lack of a sustainable labour force in the metropolitan area the Government has

supported the mobility of labour by offering subsidies to unemployed persons with respect to them moving and seeking work in other localities. However, in the latest state budget for the year 2001 the Government laid particularly strong emphasis on the issue of regionally balanced employment development. As such, unemployed people should be able to find a job first and foremost in their own labour market area. The Government has also emphasised the need to improve upon levels of co-operation and interaction between the regional Employment and Economic development Centres (the so-called TE-centres) and the local authorities and agencies in order to enhance the effectiveness and flexibility of regional administration.

The decentralisation of Finnish higher education continued

While the decentralising trend in *Finnish higher education* continued apace in the (early) 1990s in the sense that the University of Vaasa became the 20th Finnish university in 1991 amid the targeting of special policy efforts at regional universities, one of the main changes with regard to regional repercussions was the establishment of a system of polytechnics. This was achieved by upgrading a number of institutions previously known as “trade schools,” incorporating them into multi-disciplinary polytechnics. The national polytechnics network was finally completed in August 2000, when all of the polytechnics that had met the necessary standards were deemed operational on a permanent basis. In geographical terms the network of Finnish polytechnics covers the whole country.

Finnish polytechnics, which are either municipal or private, are co-financed by the government and the local authorities. As with the universities, each polytechnic concludes a three-year agreement with the responsible authority, i.e. the Ministry of Education on setting targets for the expected outcome to determine the objectives, intakes, and performance-based financial incentives.

The Finnish university system has traditionally been wary of external funding and the independence of the universities has been guarded particularly vigorously. All Finnish universities are state-run, with the government providing some 70 % of their funding.

In addition to the *Centre of Expertise programme* (CoE) discussed in Appendix 1 below, which is explicitly regional in its organisation and political objectives, there are however other programmes and policies in this field that have less obvious, though equally important regional implications. A more recent initiative with a similar focus is for instance that of the *Multipolis Network* co-ordinated by the Oulu Centre of Expertise, and aimed at the creation of an expertise network within

different branches of high-tech industries across all of the northern most parts of the Nordic countries. Focus areas are very similar to those of the CoE-programme, i.e. supporting regionally based and internationally competitive expertise by providing a common brand and support services for the businesses, universities and research facilities involved.¹⁴

R&D-investments as a whole have been highly regionally differentiated throughout the 1990s, as approximately 75% of such privately funded R&D-investments are targeted at Uusimaa and Southern Finland. Even in the education and R&D sectors however the structural funds have come to play an increasingly important role in improving infrastructure and service supply in eligible support areas and thus in diminishing regional disparities.

Limited privatisation of social services and care

Turning to the social sector and focusing on health care services, it can be argued that though limited privatisation has occurred, social services and health care in particular are still predominately public service sectors.

In 1999 the total Social services, health care and social security expenditure amounted to 72 billion FIM, which was fully one tenth of Finnish GDP. While expenditure on the employment share of the social and health services budget decreased significantly throughout the 1990s, since 1997 we have seen the a reversal of this trend, something which is likely to continue into the foreseeable future given the well documented issue of general population aging likely to be experienced in the decades to come.

National policy goals are set by the Ministry of Social Affairs and Health, though most services are locally or regionally (e.g. co-operatively between municipalities) provided. The municipalities provide for primary health care, and most hospitals are owned on a shared basis by hospital districts formed by the local authorities. Both the major hospitals and the locally managed health centres cover a highly uneven share of the Finnish populace: the population coverage of hospital districts varies from 70 000 to 800 000 for example, which is naturally reflected in varying levels of service provision.

It therefore seems justified to argue that privatisation has been a significant trend in health care as a whole throughout the 1990s, and that it is something that has had significant regional effects, particularly with a wider variety of services now becoming available to individuals in the urban areas. On the other hand, as there are fewer customers per doctor in

¹⁴ For more information on the initiative see www.technopolis.fi

the rural areas the issue of service provision is more complicated than the total availability of services would tend to suggest.

Restructuring in Iceland

Large scale restructuring of the role of the state

The 1990s will long be remembered as a period of large scale restructuring with regard to the role of the state in Iceland. The EEA-agreement came into force at the start of the decade, although its main effects did not begin to shape society until towards the end of the decade, while others have still yet to be fully realized. A right wing government came to power in 1991 and the Independence party has led the government ever since. It was therefore not unexpected that a new outlook on the role and policy instruments of the state would be evaluated and subsequently changed at the initiative of the government. As such it can be said that the pressures for significant change in the activities of the state at this time were both internal and external.

The EEA-agreement was at first viewed mainly as a tool enabling even freer access for Iceland to the markets of Europe. During the public debate over whether Iceland should join the EEA, the main topics of discussion were over tariffs and import quotas. It was also considered important that Iceland maintained the ability to restrict the freedom of movement of labour, if it was considered that this would lead to labour market problems in Iceland itself. This clause is interesting in light of the fact that during most of the period since the agreement came into effect Iceland has been very much dependent upon foreign labour, and companies have had to actively recruit people from abroad to fill available vacancies.

The importance of the EEA-agreement

There are also other aspects of the EEA-agreement that have had a significant effect on Icelandic society and economy that could not have been foreseen at the time of the signing of the agreement, nor were they properly discussed during the very heated public debates over whether Iceland should join the agreement. Although such issues are generally of an economic nature naturally they do have important social effects, even though, technically speaking, the agreement is solely concerned with economic activities and does not as such cover social issues *per se*. Such examples of these types of issues would be the rules on working hours and “youth” labour (as Icelanders would probably prefer to call what other Europeans perhaps consider child labour).

Also of interest to the issues at hand here are the rules on public procurement, particularly in light of the privatisation that the governments of the 1990s have stood for. The public sector has had to be restructured in order to make a clear distinction between “public” and “private” (or in some cases *semi-private*) and this has led to a new definition of what is considered to be the proper role of government. As such we now have an increased sensitivity to the state not interfering in affairs that the private sector can take care of, provided that a sufficient regulatory framework exists.

Privatisation processes initiated in 1991

When the right wing government came to power in 1991 a process of privatisation was initiated and is still ongoing. The finance sector has been completely reorganised. Iceland had a system of publicly owned banks and a number of state investment funds. These exercised decisive control over business investment access to business capital. As part of the reform process these funds were first amalgamated and then privatised. The state banks have been transformed into limited liability companies and the state is well on its way to selling its share in these companies. The Icelandic state previously owned and operated a number of industrial companies, some of which were relics of a very different technological era belonging to an almost unrecognisable domestic and international political *milieu*. Among these were a pharmaceutical company, liquor production and a state fish-meal and oil conglomerate, all of which had factories in a number of locations.

In general the last decade saw the implementation of changes leading in the direction of the ever-increasing *liberalisation* (in the economic, if not in the political sense) of society. A considerable number of these changes were the direct results of the EEA-agreement, though others had a purely domestic origin. At the same time we have seen very important changes in the general ground rules of, and attitudes towards public administration. This alteration of the public sector infrastructure was crystallized in the changes in the laws on public administration, the “freedom of information” act, and in the activities of the parliamentary ombudsman. The competition law passed in 1994 also had a significant impact both on the public and private sectors.

Increased reliance on road transport

The main trend in the development of transportation in Iceland in the last decade or so has seen an increased reliance on road transport and private car use. The public sector has however had an impact on this development both actively and inadvertently. By investing considerably in

improving the road system, resulting in a better winter service on such improved roads, it has been possible for Icelandic companies to move the transport of goods from sea to land. The fishing industry is a case in point here, and a very important one being the largest industry in the peripheral districts. The fishing sector used to be almost completely independent of road communications, receiving its inputs from the sea, both fish and other inputs, i.e. oil, packaging and salt. In the last ten to fifteen years this has changed dramatically: Fresh fish is now transported to and from fish markets across the country by road, and the products are taken by road to ever fewer export harbours. Even “bulk” products such as oil and salt are increasingly transported by road.

In the past the state ran a coastal shipping service, but during the reorganisation process of the 1990s this was sold to one of two shipping companies. Coastal shipping services between domestic harbours have since almost disappeared.

Subsidies given to nine air routes

Domestic flights had been run privately from the beginning, however this was based on a permit system. With the exception of two or three very peripheral locations there were no public subsidies involved with regard to domestic flight services. In the cases where there was a subsidy it was in the form of the state paying for postal delivery by air.

Icelandair ran its domestic and international services from the same company, however in 1997 responsibility for domestic flights once again reverted to a separate company. Also in 1997 domestic air services were liberalised in line with the EEA agreement. Following this, another company that already had permits for a number of smaller locations began to compete with *Flugfélag Íslands* on routes to Akureyri, Egilsstaðir and Vestmannaeyjar. Ticket prices went down and traffic volume increased. This was to last only a short period however as the “price-war” soon gave way to the re-establishment of monopoly positions, and now there is no competition on any of the routes. *Flugfélag Íslands* has cut services to a number of destinations, and on two routes namely those to Sauðárkrókur and Vesturbyggð, *Íslandsflug* has taken over.

Domestic flight services have thus now entered a new era: As was noted above there is no tradition of public subsidies, but in the face of increased competition from the automobile the airlines have been forced to discontinue services to small, peripheral locations. When faced with such a *fait accompli* however a number of communities have been able to muster enough political clout to make the state put certain flight route

services on offer, with the result that the state is now paying a total of 123 m ISK in subsidy for these 9 routes.

As in the other Nordic countries Iceland has a long established postal service, and it is traditionally one of the oldest public sector activities. Moreover, when the telephone came to Iceland at the beginning of the 20th century, post and telephone services were run in one public institution. This company had by the beginning of the 1990s become a very large corporation and turned a handsome profit for the state year-on-year. The enormous technological changes taking place in the telecommunications sector over the last ten years however were bound to change this situation. The government therefore decided to split the postal service from the telecommunications part of the service. Over the years there had been a discernable tendency for the second to subsidise the first, and by dividing them and reorganising the postal service it was hoped that this situation could be turned around. *Íslandspóstur hf* has thus had to reorganize itself and develop a more progressive strategy. This has in some cases led to the closing of post offices, which in small peripheral communities is a very sensitive issue. The level of service had not however as yet been cut, and indeed in the capital area it has been increased.

The telecommunications section of the old company was changed into *Landssíminn hf*. In this field there have been dramatic changes. There are now two other companies offering telephone services and due to their agreements with *Landssíminn hf* they have the same geographical coverage for their mobile phone services. The government has recently decided to sell shares in *Landssíminn hf* to the public. Political opposition has emerged to this, arising from two different points of view. On the one hand there is the argument that the state should not sell off shares in this company at present because of the generally low prices it would fetch under current market conditions.

Related to this is the equity aspect of the operation. There is political opposition to the privatisation of the telephone company that has a geographical dimension. Some politicians are willing to sell the service part of the company but not the distribution network, because they are afraid that a private company would not service all parts of Iceland equally, or at least that it would have geographically differing pricing mechanisms. On the other hand the proponents of privatisation are afraid that to burden the company with unspecified service liabilities in a sector that is rapidly expanding will lead to a lower price for the company on the market. If, they claim, a subsidy is needed for certain parts of Iceland it should be transparent.

The case of PPP

Two other aspects of development within the communications sector should be mentioned, albeit briefly. The first is private investment in the roads sector. Although the case of the Hvalfjörður tunnel may be unique in Iceland it is nevertheless an example of a positive attitude within the public sector that, if repeated, would lead to further public-private co-operation with regard to other future projects. The tunnel is a private venture and the only assistance from the government was the construction of the road to connect the tunnel to the public road system. The tunnel shortens the distance between points north of the Hvalfjörður and the capital area by up to 50 km. Until now it has been a financial and operational success.

The second point to be raised here is the operation of the few ferries still running in Iceland. After having been run directly from the ministry they became part of the responsibility of the Road Authority in 1993. The operation of the ferries to Vestmannaeyjar and over Breiðafjörður had been in the hands of the same companies since the advent of the services, but when the Road Authority offered the services to tender on the open market much lower bids were received from others. This caused a considerable negative local reaction but both operations are now in new hands.

Labour policy transferred to the state in 1997

Labour market policy in the last five years or so must be seen in light of the fact that during this period Iceland experienced higher unemployment than ever before. In 1997 responsibility for this sector was transferred from the local authorities to the state. A Bureau of Labour was formed, with regional offices in all regions. A wide array of policy instruments was adopted, in line with those used in neighbouring countries experiencing high unemployment. Shortly after this institutional structure was set up however unemployment started to decrease rapidly. After a brief period then the unemployment situation had almost returned to previous historical levels but at the same time employers, first in fishing villages in the periphery, but later in other sectors and in more centrally located situations, started to import labour from Poland and the Far East as well as from other parts of Europe outside the EEA-area.

Upper secondary education provided by the state

In Iceland the provision of *upper secondary education* is in the hands of the state, whereas in the other Nordic countries this task is in the purview of the local authorities. There has been little in the way of discussion

about devolution in this respect in Iceland. The main reason being that it is only a short period of time since the local authorities took over primary education. This entailed considerable effort on their part in addition to the financial costs, which inevitably the local level considers to be much higher than the extra income provided by the state for the service. The Ministry for Education and Culture emphasised that the secondary schools need to formulate a general policy of specialisation. By this it is meant that certain secondary schools should become centres for special fields.

The present minister for education and culture considers that through better communication and new teaching methods, such as distance learning, it is possible to work towards a reduction in the number of secondary schools. Through distance learning it is possible for students in small schools to gain access to the types of education on offer in the larger schools. Small secondary schools in the periphery could thus be closed in accordance with the minister's policy.

The so-called *rural grants* have in the past been distributed to students who take up studies in secondary schools in fields that are not on offer in their local schools. In the last 4-5 years these grants have increased considerably and have thereby improved the situation of those interested in studying outside their home region.

The government considers further education as very important, and is in fact making a special effort to increase both the supply and the quality of adult education. As a part of this effort they have created an information centre designed to advertise what is "on offer" in terms of longer and shorter educational courses for adults. In addition, this centre also acts as a kind of "consumer watchdog" in this general area.

The state is a major actor in the fields of *university education and research*. Most of the universities in Iceland are state owned and run. In the last decade the number courses on offer has increased markedly. There are at present 8 schools of a university level.

Research is part of the portfolio of the minister for education. The main institution here is the Icelandic Research Council. This is a consultative body in the administration of the fields of science, technology and innovation.

The current policy line in the field of culture aims at safeguarding the Icelandic language and national heritage, as well as stimulating activities in the arts and culture that are accessible to everyone. It is argued that this is best done through the creation of a dynamic environment rather than the state being responsible for a large majority of the nation's cultural activities. It is the policy of the government to

stimulate individuals' and private companies' participation in cultural activities, which could then enable the reduction of public funding allocated to cultural activities. Since 1993 it has been possible for companies to deduct grants to cultural activities (as well as from some other activities) from taxable income up to 0.5% of gross income.

The public funding of culture, both by the state and by the local authorities is considerable. Indeed it has grown in real terms over the last few years, though not significantly in relation to government income/spending as a whole. The state runs public cultural institutions but it also finances cultural activities run by individuals and associations. The main cultural institutions run by the state are the National Theatre, The National Symphony Orchestra, The State Broadcasting Institution, The National Museum, The National Gallery, The National Library, The Icelandic Dance Company and the National Film Museum. The Icelandic Opera and a large number of independent theatrical companies also receive contributions from the state budget. The state and the local authorities also provide direct financial support to artists. There is however no indication that these contributions will decrease in the next few years.

The majority of the nation's cultural institutions are located in the capital area. At the beginning of 1999 the parliament accepted a proposal for a national plan for regional development. One item in this plan was to increase financial contributions to cultural activities outside the capital area. Among the proposed activities were regional cultural centres. At the outset, five of these were to be built with the possibility of a further increase in numbers to follow. As yet however nothing has come of this initiative, though a committee dealing with cultural affairs beyond the capital area was formed, it subsequently delivered a report in October 2000. The report suggests various ideas relating to the development of cultural activities across Iceland.

One of the larger cultural projects that the present government wants to realize is the building of a large concert hall and conference centre in the centre of Reykjavík in cooperation with Reykjavík City. As yet however no time frame has been set for this project. A number of cynical commentators have thus suggested that the newfound interest in building cultural centres outside of Reykjavík was put forth to ease the way for a decision on the Reykjavík centre itself.

Finally, note must be made of the fact that perhaps the most enduring theme of the last two governments in cultural policy terms has been the over-riding desire to make cultural institutions more business-like and to promote interest in cooperation with the private sector.

Restructuring of activities of the state in Norway

Biased distribution of investments between communication sectors

The national road network is under the direction of *Vegdirektoratet* (the Roads Directorate), which is represented in individual counties by *Statens vegvesen* (the National Road Agency), comprised of an *administrative or regulatory authority* and a *production or service provision division*. The latter is responsible for investments in new construction and for maintaining the national road network. In the construction of new national roads in recent years a degree of competition has been introduced, where private enterprises have been invited to compete through tendering. Within the maintenance area, trial projects have been launched where private enterprises have been invited to compete for specifically defined “maintenance parcels”.

As part of the modernisation programme for public enterprises begun by the Norwegian government in 2000, a reorganisation of both the administrative authority and the production and service the service provision will take place within the next few years. The 19 county branch offices will be replaced by five regional branch offices. As part of the governments regional policy the new regions’ administrative centers will be located, not to the regions’ main administrative centers but to less central towns within the respective regions. This reorganisation implies that 1000 out of 6000 employees will be redundant. The production unit will from 2003 be reorganised into an independent company owned by the state. By 2006 there is supposed to be full competition in this market, where the new public company is supposed to compete for investment and maintainance projects together with private actors.

In 1996 the earlier Norwegian public railway corporation *Norges Statsbaner (NSB)* was divided up into the administrative bodies *Jernbanetilsynet (SJT)* (State Railway Supervision), which is to oversee that security provisions are followed, and *Jernbaneverket* (Norwegian National Rail Administration) that is responsible for the railway network and other infrastructure. At the same time, railway operations were separated from these activities and established as an independent state owned company (statsforetak), NSB BA. This legal form was chosen for the business to ensure that employees would retain their rights as public servants, which gives them the right, for instance, to severance pay upon being made redundant. In May 2002 the Government has proposed to transform NSB BA into an ordinary state owned limited company.

The Coastal Agency (*Kystverket*), which is comprised of the Coastal Directorate (*Kystdirektoratet*) with five subordinate Coastal District offices, is organised as an *administrative body* responsible for

fishing harbours and sailing routes, lighthouses and pilotage services along the coast. A national committee proposed in 1999 transforming the Coastal Agency into a *public corporation*, while at the same time its service provision tasks and major maintenance assignments were to be organised as a separate accounting unit within the Coastal Agency. In contrast to an administrative body, which is dependent upon the national budget's demands for gross budgeting, a public corporation is characterised by *net budgeting*, which gives it greater commercial flexibility. In 2000 the decision was taken to move the head office of the Coastal Traffic Agency (*Kystfartsdirektoratet*) from Oslo to Ålesund. The proposal for reorganisation as a public corporation is at the moment the subject of further committee investigation.

The earlier administrative body, the Air Traffic Directorate (*Luftfartsdirektoratet*), was transformed into the public corporation Norwegian Air Traffic and Airport Management (*Luftfartsverket*) in 1993. Operation of the new main airport at Gardermoen, which was taken into service in the autumn of 1998, was organised as a separate, publicly owned limited company, wholly owned by Luftfartsverket. To facilitate the financial co-ordination between the two companies, the Ministry of Transport proposed to the Norwegian parliament *Stortinget* in the spring of 1999 that Luftfartsverket also be transformed into a publicly owned limited company. A majority in the parliament rejected this proposal, however, maintaining that granting such independence would weaken the *Stortinget's* possibilities to have an effect on its future structure, for instance, the structure of airports in the aviation industry.

State owned companies and semi-privatisation

The postal services are currently undergoing a comprehensive restructuring. The approximately 900 post offices and 400 postal outlets in operation 1999/2000 will be replaced by 300-450 locales of the new unit *Posthandel*. In addition, there will be 850 to 1300 contract post offices (*in-store post offices*). Attempts will be made to negotiate similar contracts with (200-350) public service offices which are expected to be established, with the participation of local authorities and local social insurance offices.

The previous public corporation *Televerket* was transformed into the publicly owned limited company *Telenor AS* in 1995. In the autumn of 2000 the company was partially privatised and listed on the stock exchange. The primary objectives of telecommunications policy, as expressed in a variety of different policy documents through the 1990s, have centred on "equal access to and equal quality of service for all areas

of the country”. An objective concerning “equal prices” has since been abandoned, since this is not regarded as compatible with competition.

The establishment of Telenor AS concurrently involved a transition from *authority control* to *control via stock ownership*. The actual means applied to secure that societal considerations are met by the new companies, have been specifications of standards, concessions, public purchase of services and fixing of ceiling rates, which apply, for instance, to telephony in the fixed network. There is uncertainty as to what extent it will be possible to meet such minimum standards that up to now has been applied to the telecom sector, following partial privatisation.

There would seem to be reason to expect that the far-reaching transformation inspired by “New Public Management” which has taken place within the public sector during the past 10-15 years would have led to extensive public discussion. Since such debate, however, has not occurred to any significant extent, one can ask why this is so. Part of the explanation is probably a lack of knowledge as to what the process involves and includes.

Up until now, the transformation has to a large extent involved increasing *independence* and the introduction of *performance-linked management*, and to a far less extent privatisation or partial privatisation. The actions which have paved the way for the changes have been adopted by the *Stortinget* one after another, generally without major political arousal or opposition. It has been pointed out that the decentralisation process, in addition to enjoying strong support from bodies in individual sectors who have for various reasons wished for greater independence with respect to their owner, has been supported by parties on the right as part of their efforts towards a smaller and more passive state. The decentralisation has also been supported, somewhat more grudgingly, by the Norwegian Labour party, as an alternative to public sector cutbacks. Those voices concerned about negative regional consequences have only been heard to a limited extent in this debate.

Labour market agencies in 177 of 435 municipalities

Labour market policy is implemented by the Manpower Directorate (*Arbeidsdirektoratet*) that is under the auspices of the Ministry of Labour and Administration, with its head office in Oslo (230 man-years). At the regional level, the task is carried out by 18 county labour offices (290 man-years) while the authority is represented locally by 129 labour offices and 72 subordinate branch offices. In total, the authority has representation in 177 of the country’s 434 municipalities.

Growing unemployment in the late 1980s and the early 1990s led to increasing tasks for the labour market authority, while its capacity was

to some extent increased at the same time. For example, unemployment in Norway doubled from January 1988 to January 1989. In recent years unemployment has decreased gradually, while at the same time the authority is facing new challenges in the form of an increased need for labour market transformation. During the 1990s the authority has undergone repeated personnel reductions and various types of organisational changes. Gradually shrinking appropriations for operations in recent years will compel further restructuring with the aim of increasing efficiency, which is to be achieved through transferring personnel resources from administrative to operative tasks.

Employment service monopoly abandoned in 2000

In the year 2000, the authority's legalised monopoly as an employment agency came to an end. Concurrently the services offered to businesses were separated and established as an individual limited company, *Aetat Bedrift*. This company is to offer, on a commercial basis and in competition with firms such as Manpower and others, contracts for temporary personnel, recruitment, restructuring assistance and assistance for competence upgrading. The business services, which are offered through 15 local bureaux, are to contribute to a well functioning labour market, and serve as a supplement to Aetat's other service provision.

The committee conclusions on a new structure for Aetat, which are now being dealt with by the Ministry, discuss alternatives with or without a regional intermediary between the front line and central level. The conclusions recommend that the current county-level Aetat be replaced by 7-10 new regional units, each covering 2-3 of the present counties. At the same time it is assumed that the present local offices can be replaced by 80 new Aetat local offices. It is pointed out that finding a suitable number of regions for the purpose, and spreading them out so that their management range will not be too wide or involve excessively large geographical distances, will be a challenge.

It also refers to the extensive co-operation that exists today between the authority and, for instance, the social insurance authority, at central, regional and local levels. It will be possible to continue this locally within the framework of the new public service offices that are to be established in the municipalities.

The working group has estimated the order of magnitude of the personnel consequences of the proposed restructuring. Since the new regional offices will have an average staffing equivalent to 23 man-years, approximately 20 man-years will be transferred from the county to the central level, which will be assigned new common tasks. About 40 man-years will be transferred to administrative tasks in local Aetat, which will

be assigned new tasks. In addition, about 70 man-years will be released, which can be transferred to local Aetat and placed in normal service provision. In total it is assumed to be possible to transfer from 100 to 150 man-years from administration to service provision directly towards users

Three “traditional” universities and 26 regional university colleges

Research and science policy is the responsibility of the Ministry of Education and Research (Utdannings- og forskningsdepartementet). As in most Nordic countries, the sector is centrally steered, i.e. there are no regional level authorities. The regional research foundations were initiated by the county municipalities, which have no financial responsibilities for them. They are financed by projects, programmes and by block grant from the Norwegian Research Council.

The most important source of public funding for research is the Research Council of Norway (Norges Forskningsråd). (www.forskningsradet.no).

There are currently four different categories of establishments of higher education in Norway, the most “traditional” of which are located in rather a centralized pattern: the four universities (Oslo, Bergen, Trondheim and Tromsø). Of the 6 scientific higher education institutions 5 are situated in Oslo and one in Bergen. The “polytechnics” are however more evenly dispersed across all Norwegian regions.

In addition to the three traditional multi-faculty universities of Oslo, Bergen, and Tromsø), Norway also has the following establishments with university status: (1) the Norwegian University of Science and Technology (Norges teknisk-naturvitenskapelige universitet – NTNU) where The University of Trondheim has merged with the former Norwegian Technical College; (2) The Norwegian School of Economics and Business Administration (Norges Handelshøyskole), (3) the Agricultural University of Norway (Norges Landbrukshøgskole), (4) the Norwegian School of Veterinary Science (Norges Veterinærhøgskole). As such then there are currently seven universities in Norway.

In addition to the universities there are some 26 state colleges (statlige høyskoler). (More information on these can be found at <http://www.norge.no/emne/emne.asp?id=239>.)

In terms of the so-called “third task”, the law on universities (of 1st May 1995, nr. 22 Om universiteter og høyskoler) includes in its paragraph 2 reference to this: “Institusjonene (altså universiteter og høyskoler) har ansvar for å formidle kunnskap om virksomheten og for å utbre forståelse for vitenskapens metoder og resultater”. This can be understood as a responsibility with regional relevance.

In its regional proposal to the parliament, government has proposed some rather far-reaching changes in the organisation of the higher education sector.¹⁵ Amongst the recommendations of the committee involved (*Mjøs-utvalget*), it was suggested that the institutions of higher education should become legal subjects in their own right, allowing them a status as *forvaltningsorganer med særskilte fullmakter*. As the institutions are increasingly required to compete on the market for services, it is thought that their profile must change in order for them to be fully able to meet the “market demand” better, which may at times happen at the cost of more traditional views and a “pure” research emphasis. They would however also become more independent in professional, scientific, organisational and economic questions, which would allow the kind of flexibility that is customary for universities and research facilities today in other countries (e.g. in terms of personnel policy).

The label “scientific universities” would be scrapped, thereby allowing a wider range of establishments to call themselves universities. All institutions of higher education that provide post-doctoral education today will be eligible for university status. This would be relevant for example to the “høgskoler” in Stavanger, Kristiansand and Bodø.

The new financing model included in the recommendations of the committee implies a move from the current system based on student intake and research to one of “basis financing”, which would also take more closely into consideration certain stated regional policy goals.

Plans are also in the pipeline to adapt the current degree system into a more recognisable international degree system, i.e. a lower degree of three years (equivalent to a “bachelor’s degree”), which would give professional competence, whilst the “masters level” would require an additional two years of study. This would both allow for the development of professional competences and prepare students going on to doctoral studies.

Hospitals transformed into state owned companies in 2002

Responsibility for *public social services, health care and social security* is divided between the state, the 19 counties and the 434 municipalities.

Here as well there is a division of tasks between the municipalities, counties and state. The municipalities are responsible for primary health care services, while responsibility for institutional health care rests with the counties. The state is responsible for hospital operation, which is

¹⁵ St meld nr 27 (2000-2001) *Gjør din plikt – krev din rett. Kvalitetsreform av høyere utdanning.*

linked to training of physicians at the universities and for certain nation-wide specialised institutions.

Within the primary health care service a permanent physician arrangement will be introduced as of 1 June 2001. The counties finance their health care institutions through their own taxation income, national framework allocations, certain contributions from the National Insurance Scheme and ear-marked appropriations (linked to services performed) through the budget of the Ministry of Social Affairs. In recent years a substantial dissatisfaction has arisen as the result of long waiting lists and insufficient capacity of the country's hospitals. People disagree as to whether this is due to an overly narrow budget framework, or ineffective administration on the part of the counties.

In the spring of 2001 a proposal was submitted that from 2002 onwards the state take over as owner of the country's hospitals and other specialised health care institutions. These will be organised as independent state-owned companies with their own boards. Special legislation will be presented on health care companies modelled closely along the lines of state companies. One difference, however, will be that there will be a possibility of organising individual hospitals as independent legal entities under the auspices of the health care company. Political control will thus change character, moving from the current detailed control through public budgets to owner control through fixed performance objectives and framework budgeting. One express objective of the state takeover is to lay the groundwork for a stronger overall national control, for instance, with the aim of achieving a more suitable functional division crossing the borders of counties and regions. This is to be achieved in part by granting individual entities greater independence in their day-to-day operations.

There is substantial uncertainty concerning what consequences this restructuring may have, both for the treatment offered to various patient groups and for the future hospital structure. Will increased emphasis on treatment efficacy, for instance, result in a lower priority for patients with chronic illnesses? When political decision-making bodies are no longer directly responsible, will it be easier to carry out restructuring of Norway's 92 hospitals, which may possibly result in the closing of some units?

Redistribution between municipalities

The expansion of the welfare society during the past 50 years has to a large extent occurred through state support for the building up and operating of basic service and welfare provision under the auspices of the municipalities and counties.

A system has been developed for distributing state appropriations (the municipal income system), which together with user payments and their own taxation income are to place the municipalities and counties in a position to comply with national standards within their own areas of responsibility. This system is comprised of an income compensation contribution, which ensures municipalities and counties with a weak taxation base a specific minimum taxation income per resident. Furthermore, it includes an expense equalisation component, which is aimed at compensating for extra costs due to structural characteristics (such as the demographic and social situation) beyond the control of the municipalities themselves.

Through the geographical distribution of state support which has developed as a result of political priorities adopted year by year over past decades, the state has ensured an economic basis for important service and welfare provision within municipalities and regions, which definitely could not have been financed exclusively with the help of their own taxation income. There has been consensus across the political spectrum concerning this prioritisation into the 1990s. In recent years, however, a change has taken place in the political climate. The generally tight financial framework for the municipal economy is providing to an increasing degree fertile ground for the feeling, in central areas of the country, that too large a portion of the collective national appropriations has been used to ensure national minimum standards in municipal service provision in the Norwegian periphery or “districts” – that the peripheral and district municipalities have become overcompensated.

Based on new prioritisation prompted by such waves of sentiment, the *Stortinget* adopted in 1996 substantial changes in the cost model which forms the basis for the geographical distribution of appropriations between municipalities and between counties. The criteria used in this cost model, which are directed at social problems especially prominent in the larger towns and cities, were given increased weight, while criteria which originally were to compensate for geographically determined expense needs and sparse settlement were given reduced weight.

As a result of the extensive opposition and the political debate prompted by these changes, the implementation of the new geographical distribution pattern was postponed for a period of five years by the introduction of compensatory extraordinary appropriations. These will, however, gradually be phased out during the period 2002 – 2007. At the same time the national framework appropriations will be reduced as a result of the fact that municipalities will be allowed to retain a larger

portion of the income tax collected, a move which will favour high-tax-base municipalities.

The major difference in principle between financing of the national social insurance and financing of the municipalities' and counties' service and welfare provision should be emphasised. The fact that social insurance is *based on rights* means that its financing is not subject to an annual budgetary prioritisation. For example, for 2001, NOK 55 billions were allocated through the state budget to ensure full financing of National Security, since the normal income provided by insurance contributions and employer contributions was insufficient. This sum is the equivalent of the total annual framework appropriation to the municipalities and counties.

On the other hand, the state exercises an on-going control over the municipal economy through its setting of tax rate ceilings for municipal taxes and fixing of the framework for national appropriations to municipalities. The rights of the population to municipal services and welfare provision is ensured to a lesser extent by legislation, as is witnessed by the waiting lists which have developed for health and care services.

The differences in the financing of nationally and municipally based welfare policies have resulted in a substantially higher priority being given to the national welfare policy in practice in recent years. This can be demonstrated by the 73% increase in the National Security expenses from 1991 to 2001, while the framework appropriations to municipalities increased by only 33% during the same period.

Mobile libraries supported in rural Norway

The budget of the Ministry of Culture includes appropriations of NOK 3.7 billion for 2001. Of this amount, NOK 146 million is for *administrative objectives*, NOK 3 billion for *cultural objectives* and NOK 0.6 billion for *film and media objectives*. From this last amount, NOK 360 million will be devoted primarily to film objectives while NOK 235 million is for *press support*.

In addition, municipalities and counties, all of them partially financed through national framework appropriations, devote considerable funds to cultural objectives. Their possibilities to prioritise cultural activities (music schools, etc.) which are only mandatory to a limited extent by law, will depend upon their economic capacity. This will be greatest in the relatively high-tax-base municipalities and counties, i.e. whose own taxation income comprises a major share of their total income.

In the parliamentary white paper No. 34 (2000-2001) “On district and regional policy”, there are calculations showing the geographical distribution of national appropriations and transfers for cultural objectives. As a supplement to the municipal support, several appropriation arrangements have been established to contribute to better distribution, for instance, of cultural offerings throughout the country and to less central regions. The most extensive such arrangement is an appropriation of NOK 19 million to a district-policy-based mobile library service and NOK 11 million to regional musicians in Northern Norway.

The largest of the special arrangements categorised as sector measures are the state subsidies to the National Theatre, National Exhibitions and National Concerts. In addition, sport and outdoor leisure facilities, together with the Norwegian Culture Fund receive NOK 223 million ear-marked income from the state lottery and pools receipts.

The white paper gives an overview of the approx. NOK 2 billion of the state’s allocations to cultural objectives which it was possible to divide up between the various counties. By far the largest operating subsidies are to major cultural institutions. Here it turns out that almost 60% of the funding goes to the capital area, primarily to the counties of Oslo and Akershus, reflecting the large proportion of national cultural institutions located in the capital area.

Conclusions

The Norwegian government that took office in March 2000 has accorded modernisation and renovation of the public sector a place of importance in its action programme¹⁶. This has the following principal aims:

- Resources are to be transferred from administration to service provision and from sectors with declining needs to sectors with growing needs.
- More efficient use of resources is to increase room to manoeuvre at all levels within the public sector.
- Organisation and provision of services in the public sector is to be based on users’ needs.

Areas currently under reform, several of which have been discussed above, include transferring ownership of hospitals from counties to the state and giving increased latitude and independence to individual institutions within the educational system. Rationalisation measures already set in motion will result in some 5000 fewer man-years

¹⁶ White paper No. 30 (2000-2001) *Langtidsprogrammet 2002-2005*, (Long-term programme for 2002-2005), Section 2.2.1.

within the Norwegian armed forces by 2006. Further measures envisaged include reducing the number of police districts from 54 to 28 and merging the smallest courts into larger units. At present a comprehensive restructuring is underway within the postal services, which will lead to significant reductions in manpower. Taxation authorities in individual counties will be divided up into districts which may include one or more municipalities.

Increased efficacy within the public sector is to be achieved in part by increasing autonomy, whereby previous public authorities will be converted to independent companies.

The long-term programme applies for the period 2002 – 2005, and is followed up by the new government that took over in October 2001.

State and Geography in Sweden

Decentralization and liberalisation

It could be claimed that major sections of the Swedish state operations have been developed in support of a fairly conscious sense of regional responsibility. Authorities and agencies with tasks aimed at controlling compliance with rules and legislation or at providing services to households, municipalities, organisations and companies have to a large extent had and still have regional representation in each county.

Decentralisation of both activities and decision-making powers have characterised all state authorities and agencies within the communications sector in recent decades. Nonetheless it can be claimed that restructuring within the Swedish National Roads Administration, State Railways, Postal Service and Telecom, among other agencies with business operations, during the past 15-20 years out has been carried out primarily for better performance of the “national” tasks entrusted to each authority. The question of regional rationality has often had to be a second consideration. Development work in state administration during the 1980s thus came to be directed at making political control of these authorities more effective. During the expansion era of state administration, up until the latter half of the 1970s, it was the large, central sector authorities that in fact were primarily responsible for driving development. The framework legislation also contributed to policy formulation being transferred to a certain extent to the authorities’ implementation. Furthermore, the national government had for many years requested proposals from the authorities for reappraisals and economising. But these appeals failed to bring any tangible results in the form of cost-reducing actions. The growing criticism of the 1970s of “the

bureaucracy” was yet another reason for getting a better political grasp of the authorities.

At the same time there was a desire to create a better understanding of citizens’ needs in the performance of the activities these authorities were to handle. Increased decentralisation of these authorities was a natural consequence of the customer orientation. Naturally a regional policy aspect was also involved. This was especially evident in the various rounds of relocation of state agencies away from the Stockholm region that were carried out during the 1970s. For example, the stationing of the Swedish road and railway authorities in Borlänge has without doubt provided the basis for the transport and logistics cluster now growing in the region.

The wide-reaching changes carried out after 1990 were principally motivated by the demand to isolate the core activities of the state – its exercise of authority – by separating this from its business activities. Behind this are changed premises for the business activities subjected to competition and above all a general understanding of productivity problems in the Swedish economy and a changed view of competition as the driving force of the market economy.

The spatial significance of the last ten years’ changes to the state’s role in the field of communications can be summarised in several points:

- Decentralisation efforts during the past 15-20 years have primarily affected decision-making functions, but have also had an impact on regional activity and thereby on service provision.
- Relocation of state agencies during the 1970s and -80s was based on clear regional policy assessment. The aim was partly to deflect growth in the Stockholm region, partly to stimulate development in a number of regional centres.
- Deregulation grew in part out of a growing realisation that state regulation created barriers to efficacy and growth.
- Regional problems as a consequence of changed state activities have principally been observed in the political debate, partly when cutbacks were effected (especially within the armed forces), partly with the exposure to competition above all of the communications agencies.

National plan for a sustainable transport system

The distribution of responsibility between the different actors within the transport sector is based on the principle of decentralisation, with a clear

distribution of tasks between planning levels and the different actors involved. Consumers should also be allowed as much choice as possible. The central government and the local authorities are responsible for ensuring the provision of whatever the general traffic infrastructure is deemed necessary.

The central government bears the responsibility for infrastructure required for meeting the national and international traffic needs. It also must ensure that a satisfactory level of interregional links is maintained in personal transport services. Decisions that mainly have to do with local and regional transport needs are in principle made on the county or municipal level, whilst municipalities are responsible for the maintenance of the local road- and street network. In some areas of infrastructure provision responsibility lies with individuals or road associations. Through its legislation the Swedish parliament has ruled that each county should have persons responsible for local and regional traffic connections for passenger within personal transport.

In 1999 the National Public Transport Agency was established, with the task of co-ordinating interregional passenger traffic with local and regional traffic, as well as to use state funds to negotiate terms for operation of certain unprofitable interregional transport services.

The government's vision of a long-term sustainable transport system for the year 2030 has changed to keep pace with the demands made to achieve an ecologically, socially, culturally and economically sustainable society in an internationalised world, with a level of welfare including to the entire population not just in Sweden but globally. Through well-considered solutions the changes shall then have been implemented in an effective fashion. According to the vision, regional travel will be carried out to an increasing extent by train, made possible by a high capacity, frequent service and well constructed train network. By means of increased axle load and loading profiles of the rail network effective freight corridors have been created. Accessibility for industrial freight transport by rail has increased through the expansion of the capillary rail network.

In 2001 the government tabled a proposal based on this vision for the continued development of targets and follow-up in transport policy. The government proposes that the overarching objective should have five farsighted sub-objectives: Accessibility, Positive Regional Development, High Quality Transport, Safe Travel and a Good Environment. A sixth sub-objective was added under transport policy: the goal is to be "an equal rights transport system", conceived to be responsive to the transportation needs of both men and women.

Sub-objectives Accessibility and Positive Regional Development. Creating good accessibility is the most important contribution of the transport sector towards bringing about positive regional development. The government therefore proposes a common interim goal for the sub-objectives of Accessibility and Positive Regional Development, where the regional dimension focuses on the concepts of sparse settlement, population centres, regions, major city regions and their surroundings. In the government's estimation, for instance, the following interim objectives should apply concerning the sub-objectives of Accessibility and Positive Regional Development:

- Accessibility for citizens and industry, between sparsely populated areas and population centres, as well as between regions and neighbouring countries, should be steadily improved;
- Accessibility within the big city regions and between densely populated areas should increase.

In the view of the government, annual reporting to the parliament of developments with regard to the transport policy objectives should include follow-up of partial objectives and interim goals. When the Roads Administration, Railway Authority and counties present their prioritising proposals for the coming planning period, the effects are to be described. A follow-up system with measurements and indicators is to be developed for the interim objectives of Accessibility and Positive Regional Development.

Procurement in the road sector

The SNRA (*Vägverket*) is the national authority assigned the overall sectoral responsibility for the entire road transport system. The SNRA is also responsible for drawing up and applying road transport regulations. In addition, the SNRA is responsible for the planning, construction, operation and maintenance of national roads. This sectoral responsibility involves representing the state at a national level in issues relating to the environmental impact of the road transport system, road traffic safety, accessibility, level of service, efficiency and contributions to regional balance, as well as in issues relating to intelligent transport systems, vehicles, public transport, modifications for the disabled, commercial traffic in addition to applied research, development and demonstration activities within the road transport system.

The Roads Administration is comprised of a head office, seven regions and four residual/separate accounting units. The head office, which is located in Borlänge, has the task of creating both in the short-

and long-term the conditions to enable the organisation to carry out the activities required of it to fulfil the transport policy objectives.

There are seven regions in the regional operations of the Roads Administration. The chief task of the regions is to assume their share of sectoral responsibility for the road transport system within their geographical area, answer for certain exercising of authority as well as for road maintenance on the national road network. The Roads Administration also has four so-called residual/separate accounting units. All of them are located in Borlänge. Three of them also have a regional organisation of their own.

The service provision tasks include project activities, construction, maintenance and operation tasks, together with ferry operations. They also involve traffic-related information provision, educational activities and other assignments. These are to be carried out by the authority on a commercial basis. Certain areas of operations are subject to competition, and are thus operated without subsidies.

Rail: The operating units of the Railway Authority plan and arrange for operations and maintenance as well as new construction of the state railway facilities. Orders are placed internally, with the production units, or externally with private enterprises and consultants. The head office and the five railway regions have joint operating tasks with the Railway Authority Telecom Network (*Banverket Telenät*). The units *Banverket Produktion*, *Banverket Projektering*, *Banverket Industridivisionen*, *Banverket Materialservice*, *Banverket Banskolan* and *Banverket Data* are production units which look after production and services within the rail sector in accordance with purchase contracts or orders.

Air: Air travel began in earnest after World War II and in 1945 the Royal Air Traffic Authority was established. It was merged two years later with the national airports under the name the Swedish Civil Aviation Administration (*Luftfartsverket*) which became an operating agency. The Swedish Civil Aviation Administration (SCAA) is to provide the basis for safe, effective and environmentally positive air travel which can fulfil the needs of individuals and industry for passenger and cargo transport. As an operating agency, the SCAA is to operate and develop the state air traffic services and airports on a commercial basis. The SCAA operates airports, is responsible for air traffic control as well as dealing with security and air traffic policy. It owns and operates 14 airports for civilian air traffic, including the major airports at Arlanda (for Stockholm), Landvetter (Göteborg) and Sturup (Malmö). It looks after the operations of an additional five airports, and is partial owner of the airports in Söde

and Västerås. There are 44 airfields in Sweden with scheduled air services and two with seasonal traffic.

The SCAA has three overarching tasks: the security responsibility (standards and supervision), sectoral role, and service provider role. The Aviation Safety Department, which is a part of the SCAA, is entrusted with responsibility for security and independent supervision of safety in civil aviation. The sectoral role is to exercise authority and formulate traffic policy for the aviation sector as a whole. The department Air Traffic and Society (*Luftfart och Samhälle*) is responsible for this task. Provider tasks are fulfilled primarily by the four airport divisions, Stockholm, Landvetter, Sturup and Regional Airports, as well as Air Traffic Service (*Flygtrafiktjänsten*).

From seven to eleven universities in the 1990s

Practically all *post-secondary education in Sweden*, i.e. all university-type education as well as non-academic colleges for different kinds of Professional education and training, was incorporated into a single system in 1977. Swedish post-secondary education contained a strong element of national planning and regulation, the aims and length as well as the location and financing of most study programmes were laid down by Parliament. Until 1989 central government also established the curricula for all the general study programmes.¹⁷

In 1991 a major reform was initiated, aiming at a deregulation of the higher education system, greater autonomy for each institution of higher education and a wider scope of individual choice for students. The reform was adopted by Parliament in 1992 and in 1993 a new Higher Education Act came into effect. Under the new system the sizes of different programmes and the allocation of grants between institutions is influenced by the demands of the students and the achievements of each institution in terms of both quality and quantity. The organisation of study and the range of courses on offer are determined locally.

Distance learning, mainly in the form of correspondence courses, has a long tradition in Sweden. Today most universities and other institutions of higher education offer varying amounts and types of studies on this basis. The courses are designed to meet the educational needs of both individuals and the country as a whole. They are planned in such a way as to enable people to pursue their studies unencumbered by place of residence, work or family situation.

¹⁷ Fact Sheets on Sweden Published by the Swedish Institute December 2001
Classification: FS 83 Higher Education in Sweden.

The Swedish resource allocation system for undergraduate education gives universities and University colleges' far-reaching autonomy, as the system is based on objectives and results. Appropriations are based on proposals from the Government and disbursed as lump sums directly from Parliament to each institution. Research and post-graduate education are financed separately from undergraduate education. The total amount of money that – as a maximum – could be allocated to a university or university college is based on an education task contract for a three-year period. The task contract is a result of a dialogue between the Ministry of Education and Science and each university or University College.

Higher education institutions set their own student numbers and admittance requirements. Their funding is restricted to match an estimated number of students; institutions are however free to accept more students than the number financed, provided they can guarantee quality. They are also allowed to combine varying numbers of students and different kinds of subject courses. Education is free of charge; no tuition fees are levied on the students.

In Sweden almost all higher education institutions, except for the University of Agricultural Sciences, which is under the jurisdiction of the Ministry of Agriculture, Food and Fisheries fall under the responsibility of the Ministry of Education and Science. Most of the institutions are thus run by the central government. The employees at these universities and University colleges are national civil servants.

Eleven of these central government operated higher education institutions are universities – Uppsala, Lund, Göteborg, Stockholm, Umeå, Linköping, Karlstad, Växjö, Örebro, Luleå University of Technology, and the University of Agricultural Sciences – and two are specialised institutions of higher education and research – the Karolinska Institute (medicine) a Royal Institute of Technology.

20 University colleges

Across Sweden there are some 20 University colleges. Seven smaller colleges for various areas of specialization are located in Stockholm. The University College of Physical Education and Sport is also located there. There are also two colleges of health sciences, offering programmes, which provide preparation work in the paramedical professions.

Previously there was only one major private institution within the higher education system, namely, the Stockholm School of Economics, run by a private foundation with central government support. However in 1994, Chalmers University of Technology, and the University College of Jönköping were transferred to private ownership in the form of

foundations. The highest body in each higher education institution is the governing board that maintains overall responsibility for operations within the institution, e.g. financial, administrative, planning and personnel matters.

Activation and skills enhancement in labour policy

The long-term goal of the Swedish government's *labour market policy* is to achieve full employment. Meeting the government's declared target for 2004 of 80 % regular employment in the population aged 20-64 will however require a more efficient labour market. Above all, it is a matter of avoiding bottlenecks and improving the skills of the unemployed.

The main responsibilities of Swedish labour market policy are in channelling work to the unemployed and labour to employers, taking steps to combat bottlenecks, and taking initiatives to help those who have difficulty obtaining work in the regular labour market.

The basis for this task is the activation and skills enhancement principle. This means that an unemployed person who cannot find work should primarily be offered training and, secondarily, a workplace trainee position or a temporary job. Only when these alternatives have been exhausted should various forms of cash assistance be made available.

The Labour Market Administration (*Arbetsmarknadsverket*, AMV) is the public agency with overall responsibility for implementation of this scheme, it also decides on the amount of compensation given. The Administration includes the National Labour Market Board (*Arbetsmarknadsstyrelsen*), as well as a County Labour Board (*länsarbetsnämnd*) in each of the 21 counties, and offices of the public Employment Service (*arbetsförmedling*) and the Work Life Services (*Arbetslivstjänster*).

The Labour Market Administration is responsible for the following activities:

- Facilitating and improving the match between supply and demand in various sectors of the labour market.
- Skills enhancement programmes as well as support for those who are having the greatest difficulty in the labour market.
- Operational development, monitoring, oversight and financial control of the Employment Service, labour market policy programmes and the unemployment insurance system.

The AMS works on behalf of Parliament and the government generally, and reports to the Ministry of Industry, Employment and Communications (*Näringsdepartementet*). AMS' annual appropriation

warrant states its objectives, tasks, funding and how its money may be used. AMS makes decisions on overall issues, allocates resources and monitors the work of the County Labour Boards. The County Labour Boards have overall responsibility for Labour market policy in each respective county. Each County Labour Board has an executive board consisting of the County Governor, who serves as Chairman; the County Employment Director, who heads the agency; and a maximum of nine other Board members. The County Labour Board should also have a Local Employment Services Committee (Arbetsmarknad) in each municipality. This Committee should include representatives of the County Labour Board, the Employment Service, the municipality or municipalities included in its territory, the local business community and local trade unions. A majority of the Local Employment Service Committee's members are to be appointed by the municipality or municipalities concerned.

The Employment Service offices are the local organisations in charge of implementing labour market policy. There are some 320 publicly run employment offices. Most labour market policy resources are delegated to the local level, i.e. to the Employment Service offices. The Employment Service is active in all 289 of Sweden's municipalities, covering the entire area of the country.

Sweden's municipalities have signed agreements with the County Labour Boards to provide *municipal youth* programmes. The purpose of these agreements is to ensure that the municipalities assume responsibility for their unemployed youth under the age of 20. These programmes are aimed at preventing the emergence of long-term youth unemployment. The municipalities provide individually tailored programmes, in the form of work experience or training, to prepare or facilitate these teenagers' entry into the regular labour market.

The State promotion of cultural diversity

In 1996 the Swedish Parliament decided that the cultural policy objectives of 1974 were to be superseded by seven new ones. In addition, a new system for the allocation of government grants to regional cultural institutions was implemented and attention was drawn to the significance of literature through, for example, the adoption of a Library Act. According to the parliamentary decision of 1996 the objectives of cultural policy are to:

- Safeguard freedom of expression and create the conditions necessary to make this freedom genuinely available to all.

- Act in order to offer everyone the opportunity to participate in cultural life.
- Experience cultural events as well as to develop their individual creativity.
- Promote cultural diversity, artistic development and quality, thereby counteracting the negative impact of commercialism.
- Provide culture with the prerequisites necessary to be a dynamic, challenging and independent force in society.
- Preserve and utilise the cultural heritage.
- Promote cultural education.
- Promote international cultural exchange and contacts between the various cultures within the country.

The State, county councils and the municipalities share responsibility for the public support of cultural life. To a considerable extent they also share the overall objectives of cultural policy although each county council and municipality determines independently the level and focus of their own efforts. The central cultural institutions and nationwide activities receive government funding. The Parliament decides on the volume of grants as a whole, and the funds are then distributed by the Ministry of Culture and public agencies within the cultural sphere.

The National Council for Cultural Affairs (*Statens kulturråd*) is the government agency that bears the principal responsibility for national cultural policy. The National Council for Cultural Affairs administers matters involving government grants and other measures concerned with:

- Theatre, dance and music.
- Literature, public libraries and cultural periodicals
- Visual art and design, museums and exhibitions.
- Cultural activities within, e.g. popular education and popular movements.

Other important cultural agencies are the Central Board of National Antiquities (*Riksantikvarieämbetet*), which bears responsibility for the guardianship of Sweden's cultural heritage, the National Archives (*Riksarkivet*), with responsibility for the management of public archive services and for the management of archives across the country, and the Swedish Film Institute (*Svenska Filminstitutet*), which is a partially publicly-owned foundation with responsibility for film policy in

accordance with an agreement between the State and the motion picture and video industry.

In 1994-95, the cost of providing access to the culture and media sectors totalled the equivalent of 40.1 B SEK across the entire Swedish economy. Sixty-five per cent of this total was paid directly by households and consumers. Approximately one quarter of the municipalities' contributions are made in the form of grants to popular education, associations and societies. The remaining three quarters is used to finance activities arranged by the municipalities themselves. The largest recipient by far is the public library system with a 38 per cent share. The bulk of the contributions made by the county councils goes to educational efforts, although regional cultural institutions, particularly country theatre companies and museums, also receive vital support from the councils.

From general to needs related social services

The relatively good regional balance, in terms of fairly equal material living conditions, which existed in Sweden at least up until the beginning of the 1990's is primarily due to the person-centred general welfare policy which was built up during the post-war years. The Swedish welfare policy can be described as being comprised of four different parts: Firstly, publicly provided services in the form of, for example, health care, compulsory schooling, care of the elderly and child care services, together with regulated and subsidised housing policy. Secondly, an obligatory social insurance system linked to levels of employment earnings. Thirdly, a unitary support system covering all citizens, such as national pensions and child pensions. Fourthly, a system of needs-tested assistance, both in the form of monetary support and direct measures.

Despite the support of the leading political parties concerning the universal welfare policy, there has also been a major increase in *needs testing* welfare programmes since the beginning of the 1980's. The universal welfare policy has thus already been eroded in a number of areas.

Public authority within many parts of the service sector has also been eroded. Partly on ideological grounds, partly as a result of pressing economic circumstances, municipalities and county councils have to a greater extent than before begun looking for other solutions even in areas such as education, health and other care services. These can take the form of both co-operative and private enterprises, often involving small-scale businesses.

Some spatial implications of the changes for the Swedish welfare state:

- The general welfare policy has to a large extent contributed towards equalising regional imbalances in Sweden. This role is less prominent today.
- There is considerable evidence that the state's role in Sweden is becoming polarised – on the one hand, it is responsible for basic welfare and security, on the other hand it has a role in eliminating barriers to and stimulating economic development in each region.

4. Nordic R&D and the higher education sector in the 1990s

The changing context of higher education

The aim of this chapter is to give a general overview of the spatially relevant trends and policy developments within the field of higher education and research in the Nordic countries during the 1990s. It is assumed that such policy changes are intimately connected to prevailing international trends, though with nationally specific manifestations, and always also with regionally differentiated impacts.

When assessing the changes that have taken place in terms of state intervention in the higher education sector, we have two alternatives as to our point of departure. Are we in fact interested in the question of regionally differentiated state intervention in the higher educational system (i.e. in the setting up of new “regional” universities and other institutions of higher education for instance), or should we rather enquire as to the relative role of the state in higher education in general and its regionally differentiated effects (i.e. the question whether states play a smaller role in higher education than they used to, and how this is likely to impact upon peripheral regions in particular).

The main focus in this short introduction to developments within the higher education sector in the Nordic countries, in addition to a consideration of the spatial dimension will be on the second question, i.e. the role of the state in higher education in general and its potentially relevant implications from the point of view of (peripheral) regions. This choice is justified by the fact that a large part of the explicitly regionally targeted policy decisions, such as the establishment of regional universities, were taken much earlier, as for example with the establishment of the University of Tromsø in Norway in 1972, or the establishment of the University of Joensuu in Finland in 1969 (see also the sub-chapter on the spatial consequences of change in the Finnish state sector).

Most of the policy changes of the 1990s were in fact more strongly motivated by changes in governance ideology and political thinking (strengthening the role of private sector in higher education and even more so in research and development) than by explicitly regional concerns. This of course is not to deny of course that many of these changes actually had important regional consequences (e.g. setting up a wide network of polytechnics in all Nordic countries).

All of the Nordic countries have undergone a transformation process into post-industrial service-societies in which high levels of education across the population, as well as innovation and expertise within society and the production system as a whole are the key elements on which competitiveness is now based. Higher education itself has also undergone a connected though essentially separate transformation into a highly developed information society as an integral part of the new “learning economy”.

It has been argued that the novelty of today’s transformation process, entailing social, economic and organisational features may lie in the velocity of the change, rather than its actual content. (See for instance Lundvall et al. 2001, 11, Lundvall & Borras 1998.) Organisations and institutions, as well as businesses and individuals need to be prepared to learn new skills in order to adapt to new circumstances and technologies, with those best attuned to this adaptation likely to be most competitive.

In addition to elements of change related to such international trends as the increased focus on expertise and competence development, it is also worth noting that higher education is certainly not the only area within which changes are required. Adult education, life-long learning and distance learning are issues that all Nordic countries are looking into in order to meet the needs of the now more flexible labour markets, regionally balanced migration trends and individual self-fulfilment.

In fact the need to further adapt educational structures to the ongoing changes taking place in society are of the utmost importance. Whilst the universal availability of higher education has provided the Nordic countries with for instance a well-educated public sector and competitive IT sector, there may now be increased pressure to address the need for qualified labour within industries and skilled labour professions in other areas. The ability of the higher education system to meet the challenges of future economic trends and to produce competent labour for the national labour market is undoubtedly the main challenge for public policy. These themes more closely connected to a restructuring of the labour market and post-industrial organisation are however only implicitly present in this chapter.

Expanding higher education in the Nordic countries

The Nordic countries are for good reason considered to have been particularly successful in adapting to the dominant “learning economy” mode. The amount of university graduates as a whole has increased dramatically, together with the number of graduate students and doctoral dissertations. The Nordic area has thus – at least in numerical terms – become an educational centre of excellence. The expansion of professional education throughout the post-war era has thus gradually been accompanied *first*, by a diversification of the universities in a way that has allowed most higher education establishments to provide courses in most disciplines, and *secondly*, by an expansion into a higher-education policy whereby the proportion of graduates has increased and post-graduate education has been made more widely available as a national policy priority. The expansion of the system of higher education has partly taken place through a quantitative increase in educational establishments. Following the lead of other European countries, the Nordic countries have also established a network of university colleges or polytechnics (*Ammattikorkeakoulu* in Finland, *Høgskole* in Norway, *högskola* in Sweden, *højskole* in Denmark), which have been central in increasing educational levels still further. For instance in Sweden the amount of new undergraduate students in universities and equivalent institutions of higher education has increased by 55 % in the period 1988-1998, or by approximately 5% per year (*Høgskoleverket* 1998, 17). This is a typical indication of how the “universalisation” of higher education has taken place in the Nordic countries.

In Norway such similar developments were the result of work undertaken by a committee, set up in 1987 and chaired by Professor Gudmund Hernes (subsequently appointed Minister of Education, Research and Church Affairs) to evaluate the goals, organisation and priority-setting in the area of higher education and research. The committee presented its recommendations in 1988 and as a result of these a system referred to as “Network Norway” was set up to incorporate the institutions of higher education and research at universities and colleges. The committee also emphasised that research education should be strengthened by building up special research academies and investing in high quality basic research and these recommendations were reflected in the establishment of the “network Norway” system, within which an integrated network between those involved in higher education and research is set up in order to increase the quality of co-ordination between these institutions.

While the kind of co-ordination – as described above – is undoubtedly useful for individual universities and units of higher education in general, the main intention of this network innovation was the promotion of Norwegian competitiveness: it was intended to facilitate differentiation and specialisation between higher education institutions, giving them co-ordinating functions within their specific area of expertise and thereby making the utilisation of financial and human resources within the field more effective. This can be taken as an example of the increasingly more “targeted” regional innovation policy found in all Nordic countries today. Similar policy initiatives in Iceland include plans for the establishment of a “knowledge based village” in the vicinity of the University of Iceland, while in Finland the Centres of Expertise programme (covered elsewhere in this report) has also been built on this logic.

The need to promote specialisation and more targeted research activity is thus a shared concern, both on the national and regional levels. The Norwegian Research Council with its six boards (industry and energy; bio-production and processing; environment and development; medicine and health; culture and society; and science and technology) was also established in 1990 to promote similar goals of expertise and specialisation.

The university structure and its financing mechanisms are still going through changes in the Nordic countries as elsewhere, though this is not to say that the status of universities has diminished. Indeed, more institutions of higher education have been established in order to meet the challenge of “universalisation” in higher education. Increasing numbers of higher education institutions are willing to be associated with university status and for instance in Norway the university structure has undergone great changes in this respect, as the three regional colleges (Stavanger, Bodø and Agder) have been upgraded to allow them to offer university level educational programmes. In the case of Sweden similar pressures have been met in the metropolitan regions of Stockholm and Malmö, where “second universities” have been established in order to meet the insatiable demand for more higher education places.

In the context of the current reforms the actual number of higher education institutions in Norway is no longer increasing, though a larger group of institutions have now been granted the right to call themselves universities. (KUF 2001.) Other reforms that the Norwegian higher education system is currently undertaking include issues relating to both the scope and content of higher education, including financing. The reforms have largely been undertaken in order to integrate the Norwegian

higher education system into the international degree system, as well as to promote research through allowing former state colleges to develop university statuses based on a minimum of four PhD –programmes. (KUF 2000 and 2001.)

Some of the changes that have taken place in the higher education sector in the 1990s are thus part of a wider social change, which has to do with neo-liberal economic ideology partly reflected in the notions of the “network economy” and “new public management”, which require more flexibility from the educational and labour markets and from the individuals within these markets. The transformation of the whole higher education system across all Western European countries has in this sense entailed the similar traits of moving into a system that is more managerial and market-led at the governmental level, has stronger accountability mechanisms both on the institutional and individual level, whilst also being a more policy-driven and policy-relevant system on the individual level, i.e. at the level of individual researchers and academics. (Kogan, Bauer, Bleiklie and Henkel 2000, 206-207; for Finnish experiences in this regard, see also Nieminen and Kaukonen 1999).

During the 1990s such changes may also have reflected policy-shifts and changes of government within individual countries, as for instance the Conservative coalition government of 1991-1994 in Sweden (e.g. Kogan and Marton 2000, 91), though the neo-liberally oriented policies undoubtedly had a wider influence on ideologies regarding the role of the state, as for example neo-liberal ideology has become more firmly embedded in notions of the re-distribution of responsibility between the individual citizen and the state.

In policy areas such as higher education and research and development, where increasingly at least part of the services are provided by a private service producer, responsibility may become even more blurred, as a so-called “responsibility drift” (Rothstein 1998, 93) may appear between the democratically derived policy, the citizens who uses the results of that policy, and the provider of the service or the third party implementing the policy. Situations where markets gain increased responsibility over the trends and developments within the higher education sector (as elsewhere) can thus be seen as examples of such a drift. As is seen in Table 7 below, the Finnish case exemplifies the shift from public direct budget financing to external financing in the university sector. Whether these trends exhibit regionally differential impacts has not been sufficiently researched, though regional variations are likely based on the basic differences in availability of resources. Competition between universities has also become internationalised and small regional

universities may find it difficult to compete with the big universities with a long history of research and teaching in a particular field. In some cases this may have led to a two-tier system, where the operational principles and objectives of regional universities differ from the old multi-faculty universities, as the “new” universities concentrate on more regional portfolios and on teaching tasks, while traditional multi-faculty universities are more research-oriented (Askling and Henkel 2000, 123-124 and Sörlin 1996, 147-152). While it may be an inevitable consequence of necessary differentiation, such a development may be problematic for the peripheral regions, as they are also in need of the R&D funding associated with a high profile research-orientation.

Amongst the other relevant changes taking place in the financing of higher education one should note the added independence or flexibility allowed for the institutions themselves. More emphasis has been put on quality guarantees, evaluation and financial efficiency, which has led universities and other institutions of higher education to a situation where they are faced with the need to develop their activities on two fronts: attracting more students in a more competitive international and national environment and seeking to balance quality and quantity. As public funding is partly dependent on student numbers, educational establishments are increasingly faced with the need to attract “consumers” or “customers”, this is essentially what the units of account – hitherto known as “students” – have essentially become under prevailing thinking.

Policy objectives have in most cases been increasingly outlined in terms of quality concerns and evaluation systems have been established to channel funds to the most competitive areas of research.¹⁸ This has often been outlined in terms of increasing the individual educational establishment’s freedom and autonomy to decide how funds are allocated within the institution. (See for instance Högskoleverket 1996.) This is part of the process, which has been referred to as the “marketization of higher education” (Williams 1995). While the public sector still remains the main source of funding within the higher education sector and therefore the government has an important role in steering the university system as a whole, the external influence of other funding sources has grown and is likely to continue to do so in the future.

¹⁸ It has been argued that there has been an epistemic shift in this sense, moving from a traditional reputational control system of research to a more externally open normative assessment framework (Elzinga cited in Nieminen and Kaukonen 1999, 325).

Changes in the R&D sector

While the university system as a whole has been influenced by drastic changes in terms of the public-private interface, such changes may have been even more pronounced in the R&D sector. The development of R&D expenditure in the Nordic countries during the 1990s also reflected ongoing international trends, whereby the share of expenditure allocated to R&D activities increased and the number of persons experiencing higher education further increased. The proportion of private funding increased, in line with the increased emphasis on partnership approaches to research and development activities. In many cases the role of the public “users” of research has become accentuated, with bodies such as the Swedish Research Council for Environment, Agricultural Sciences and Spatial Planning (Formas) having a dual role in funding research and influencing policy. The emergence of a variety of research funding institutions, as well as innovation and incubation centres, in particular in the area of technology-based activities in all Nordic countries has also provided a clear sign of the ever increasing importance of R&D – activities. (For comparative information on R&D expenditure see for instance the OECD’s Science, technology and Industry Scoreboard currently also available in electronic form at www1.oecd.org/publications/e-book/92-2001-04-1-2987/)

In terms of expenditure levels, the numbers in the tables below dating from 1997 reflect the trends relatively clearly. While Sweden and Finland are the global leaders in terms of R&D expenditure – intensity (gross domestic expenditure on R&D as a percentage of GDP), the situation is not equally positive in all parts of even these countries: regional differences in terms of R&D resources and expenditure remain significant. One clear trend is the embeddedness of universities in the wider process of (commercial) R&D activity, as the university system itself has become more firmly incorporated into the R&D sector. This has become particularly apparent in the way in which university education as a whole has moved from a nationally motivated task of cultural-educational enlightenment to an internationally oriented and economically justified activity of educating innovators and promoting commercialisation activities through increases in interaction and the co-ordination of universities and the private sector.

As was argued above however, the regional universities in the more peripheral areas are unlikely to reap the full benefits of increased R&D funding, as R&D-investments are usually highly regionally differentiated. For instance, in the Finnish case approximately 75% of privately funded R&D-investments in the late 1990s were targeted on

Uusimaa and Southern Finland. While private R&D-investments in Eastern Finland on the other hand provided only 3 % of the national total. As recent trends have indicated, in the move to private R&D funding, as well as the shift from funding teaching to funding research (see tables 3 and 5), peripheral universities are likely to lose out.

There are also some interesting social aspects to such developments that have taken place throughout the 1990s. For instance in Finland where innovation policy and R&D have become key aspects of regional industrial policy, as well as elements of the national strategy in a wider sense, higher education has been one of the areas in which these changes have become most pronounced. This has implied a rapid increase in the number of degrees (on all levels from BA to PhD) and an increase in the relative share of external funding.¹⁹ The higher degree of university graduates and the “universalisation” of university education has implied a radical change in the social structure of these countries, as higher education has become available to almost all of the population losing much of its elite status in the process. (See for instance Ahola 1995.) These more universal changes have, in Finland at least, been accompanied by a less easily explainable change, i.e. a decrease in the number of teaching staff (see table 3). This decrease was however accompanied by a rapid increase of so-called *other than* teaching staff, as well as by an increase in university staff dependent on external funding, which seems to reflect the shift in functional role of the university from an educational one to an increasingly research and development-oriented one.

The regional impact of universities and other higher education institutions is contested. It seems however that there is a connection between regional competitiveness and the general educational levels of a population, as well as in some cases with regard to technical education intensity in particular. It seems to be the case that regional competitiveness and high numbers of university educated people correlate positively, though it could of course be that higher educated persons tend to move to areas that are “well-off” and regionally competitive. Thus cause and effect may work both ways: high education levels contributing to regional competitiveness and regional competitiveness attracting more people with university degrees.

¹⁹ Naturally educational policy as a whole is closely connected to employment policy. How much of the educational boom and ideas such as “lifelong learning” as a whole may have to do with seeking ways of masking the actual level of unemployed is also a contested issue.

The spatial impact of policy changes

While there have been national evaluations of the regionally relevant impact of the changes in the higher education sector, less material currently exists on the trends in Norden as a whole.²⁰

All of these factors have been important in creating the decentralised pattern of higher education institutions now prevailing across each of the Nordic countries: if, the logic goes, the presence of a university is likely to have such positive effects for regional competitiveness and attractiveness, universities and other educational institutions should be located in all parts of the country. The advantages brought about by higher education institutions are manifold though often difficult to quantify. Though R&D funding is often centralised to the larger urban centres and their research facilities, universities bring with them many tangible results and contribute considerably to the attractiveness of municipalities where they are located.

Though the general goals and instruments of regional policy have changed over the years, this basic point of departure has remained the same, though it has not been able to reverse the concentration of population and of higher education in recent years. In the Finnish case for instance it has been documented that two of the most important factors in explaining individual migration decisions are previous history (people who have moved before are likely to do so again) and higher education (persons with a university degree are more likely to move than others). This can be combined with the general observation that people are still relatively immobile, and tend to move only across relatively short distances (within a region rather than trans-regionally for example). (Häkkinen 2000, 59.) Moreover, the Swedish experience has been similar and since the establishment of the new university colleges' regional differences in education levels have diminished somewhat, as in most cases the majority of students still comes from within the region. (See for instance *Högskoleverket* 1998.) This seems to suggest that if the goal is to counter the ongoing concentration of population, it is important to continue to invest in regional universities and decentralised location patterns when it comes to higher education institutions.

²⁰ Some exceptions do exist. For an evaluation of the regional relevance of higher education in Norden, see for instance Ole Johan Andersen, Peter Arbo, Heikki Jussila, Jan-Evert Nilsson og Håkan Sandersen: *Høgskolene i Nord-Skandinavia – drivkrefter for regional næringsutvikling*. NordREFO 1993:4. Bjørnar Sæther, Jan Mønnesland, Knut Onsager, Kjetil Sørli og Peter Arbo: *Høgskolenes regionale betydning*. NIBR Prosjektrapport 2000:9.

Higher education is undoubtedly one of the key factors in regional development, as it has an impact both in terms of economic growth and human resources (including migration patterns). While Finland, Sweden and Norway have tried to establish a geographically wide-reaching network of universities, we can only guess as to how much faster the concentration processes in terms of migration may have been without the establishment of these institutions.

The regional differences in education levels still persist however, though they are clearly smaller than the local differences (proportion of population with university degrees in municipalities). For instance in the Finnish case the level of higher education among the population does not decrease in a straightforward fashion with peripherality (if the degree of peripherality is viewed in terms of geographic location and distance from the core area). (See tables 6 and 7; see also Havén 1998, 145-150.) Only Uusimaa region is clearly ahead of all other regions in terms of the proportion of population with a higher educational background: 18% of the population has a university degree where the national average is 12%. The lowest regional ratings are not those of the most “peripheral” regions measured in traditional terms (Kainuu, Lapland, Northern Karelia – all of which have 9% with university degrees), instead the lowest levels are found Southern and Central Ostrobothnia (8%).

Regional comparisons may not give an accurate picture of the situation, though, as individual municipalities and their surrounding areas (functional regions) may be a better unit of analysis in such comparisons. The municipalities with highest educational levels are spread more evenly across the country however, as four of the top ten are from Uusimaa (Kauniainen, Espoo, Helsinki, Kirkkonummi), but others include Oulu, Jyväskylä, Joensuu, Rovaniemi, Kaarina (a neighbouring municipality of Turku with a population of some 20 000) and Kuopio.

A great deal of effort has been put into evaluating the regional impact of universities and other higher education institutions. The “regionalization” of higher education institutions and the emergence of “polytechnics” have undoubtedly been motivated by a desire to increase regional balance and equality of access to higher education. While their actual impact as measured in terms of jobs, levels of investment and other “hard” quantitative indicators may not always be uncontested, the positive effects in terms of human resources and regional ‘image’ may at times be even more important (e.g. Helo and Hedman 1996, Puukka 2000, 13-14). This can then have indirect impact on business development in the region, for instance through businesses making location and re-location decisions.

As has been argued before, the “learning economy” ideology has been accompanied by an increasing acknowledgement of the need to emphasise the economic importance of the higher education sector. Higher education and research play a major role in innovation activities, which are themselves, important elements in the regional competitiveness equation. R&D intensive sectors have in recent years been particularly important in the process of industrial renewal, though the connection between the establishment of new enterprises and the regionalization of the higher education structure is not a clear one. (See for instance Sörling och Törnqvist 2000, especially chapter 7 on industrial renewal.) Regional universities have not always been successful in attracting new businesses into the region and therefore their relevance for regional innovation is not uncontested. On the other hand, their relevance to innovation with regard to regional growth and competitiveness has become widely accepted.

In addition to their relevance in terms of financing and expertise, higher education institutions have also come to play a key role in the partnership-based development activities associated with the current “learning regions” ideology. Higher education establishments are now seen as integral parts of the “triple helix” of regional development, and as such they are often viewed as particularly central to promoting growth within their surrounding region, be it in terms of the implementation of national or European development programmes. (Examples: the Swedish Regional Growth Agreements, e.g. Näringsdepartementet 2001, 15; The Finnish Centres of Expertise, Nieminen and Kaukonen 1999; or Structural Funds programmes). In the case of the Structural Funds programmes it is increasingly true that universities have incorporated access to Structural Funds resources as an integral part of their own strategies. (See for instance Oulun yliopisto 1999.) The incorporation of institutions of higher education into the detailed elaboration process of regional strategies and programmes as the “third task” has thus become a major trend in all the Nordic countries.

It is however not sufficient to approach the role of higher education institutions as a component in strategy work and development activities, as important as these may be. Regions also necessarily compete over scarce resources and higher education is an important aspect of the “regional innovation system” central to regional competitiveness. A recently introduced indicator of regional competitiveness seeks to analyse the key elements of innovation. (See Huovari, Kangasharju and Alanen 2001). In this approach the main elements of regional competitiveness are four-fold, ranging from human resources and innovation capability to concentration and accessibility. In all of these categories aspects of higher

education were central. While relevant human resources naturally included the amount of students and university degrees, innovation-capability was more centred on the high-tech sector and RTDI.

It is hardly surprising that such indicators support the prevailing ideas of regional competitiveness (in Finland as elsewhere), as well as lead to unsurprising findings as to which regions are in the best competitive position (cf. *Suomen Kuntaliitto* 2000 and 2001). While useful as methodological tools, these types of indicators actually risk undertaking a process of cyclical reasoning: Innovation requires innovation or competitiveness requires competitiveness. The regions that are innovative are also competitive and as competitiveness requires innovation, they become more competitive. While it is obvious that innovation is not something that maintains itself, rather it requires high input to be maintain and renewed, sudden drastic changes between regional competitiveness levels in terms of innovation capacity are unlikely to occur very often. Though all regions undoubtedly aim at being innovative, not all are equally well endowed in such scarce resources and more often than not – external help is required. In terms of higher education and its role in the innovation processes, it is necessary to note that Nordic structures are themselves relatively regionalized with regard to infrastructural questions.

To conclude

It can be concluded that increasing regional differences and the further concentration of population should be seen as interdependent with the changes in higher education and the university sector. In particular the regional impact of R&D investment in the “learning economy” appears to have certain powerful centralising effects. The Nordic welfare states have traditionally placed a high value on education in general and equal opportunity in terms of access to higher education in particular. As private funding sources have gained importance in the higher education sector, one can expect a corresponding decrease in governmental influence and steering opportunities over the sector as a whole, and thus the emergence of a decline in the level of concern for policy objectives such as balanced regional development.

On the other hand however the educational infrastructure has become further regionalized particularly in Sweden, Finland and Norway with the establishment of the so-called university colleges. It can thus be argued that equal access to education has been dealt with to the benefit of peripheries, though other limitations remain. The “marketization” of education as a whole is likely to have centralising effects, which will likely become manifest in the higher education sector. It therefore seems

justified to argue that this “marketization” of the higher education sector has led to negative consequences in peripheral regions, as it is likely to further accentuate out-migration and increase the subsequent concentration of higher education. As was indicated by the Finnish and Swedish cases for instance, the regional differences in education levels still remain and there does seem to be a positive correlation between migration patterns and the availability of higher education.

As is argued elsewhere in this report (see the Finnish case study), the need to ensure co-ordination between sectors when it comes to regionally important effects is further required. While decentralising tendencies within the higher education system and between the central authorities and individual universities for instance are undoubtedly positive traits with regard to the recent changes, the centralisation of R&D funding and the drive towards internationally oriented (and internationally competitive) activities may have the opposite effects. The uneven regional distribution of R&D funding is part and parcel of the wider centralising trends that increasingly see regions only in competitive terms. If this is accepted as a guide for allocating public funding and steering policy, the peripheral regions are again likely to lose out. If on the other hand the state tries to address problems of market failure, and higher education is seen as a particular market in this regard, the efficiency of policy instruments requires co-ordination and the setting of clear objectives. “State” or rather national governments have become increasingly reluctant to act in this role however, as national competitiveness is seen as *the* first priority even to the extent that it may in fact require the further concentration of resources.

Appendices:

Table 3: The number of universities and institutions of higher education in the Nordic countries

Table 4: R&D expenditure as of GDP

Table 5: R&D expenditure by spending sector, million PPP EURO

Table 6: R&D expenditure by spending sector, % of total

Table 7: R&D expenditure by source, % of total 1997

Table 3: The number of universities and institutions of higher education in the Nordic countries

Country	Institutions of university-level education
Denmark	19 ²¹
Finland	20
Iceland	8
Norway	38 ²²
Sweden	36 ²³

Comparisons of R&D expenditures in the Nordic countries

Table 4: R&D expenditure as % of GDP²⁴

	1985	1991	1993	1995	1997
DK	1,25	1,70	1,80	1,92	1,94
FI	1,58	2,07	2,21	2,37	2,78
IS	0,74	1,16	1,34	1,54	1,82
NO	1,48	1,65	1,73	1,72	1,68
SE	2,88	2,89	3,39	3,59	2,85
Nordic	1,96	2,23	2,36	2,55	2,65

²¹ 5 of these are multi-faculty universities and 14 specialised institutions.

²² 4 of these are the traditional multi-faculty universities, whilst the other 26 are the so-called “statlige højskoler”, i.e. a kind of polytechnics, which are also found in the other Nordic countries.

²³ Swedish higher education statistics also include the polytechnics or “university colleges”, of which there are 16. Other institutions include: 11 of the “traditional” multi-faculty universities, the *Karolinska Institutet* (Medical University) and the Royal Institute of Technology, as well as 7 independent colleges of art.

²⁴ Source: Nordic Statistical yearbook 2000.

Table 5: R&D expenditure by spending sector, million PPP EURO, 1997

Total	DK 2 387	FI 2 695	IS 113	NO 1 839	SE 6 441
Extraction of oil and gas	1	0	0	61	0
Manufacturing	926	1 461	46	452	3 916
Other industry	454	232	0	354	812
Private R&D institutes	85	85	0	180	100
Public sector	391	379	35	302	233
Higher education	530	538	32	490	1 381

Table 6: R&D expenditure by spending sector, % of total, 1997

Total	DK 100	FI 100	IS 100	NO 100	SE 100
Extraction of oil and gas	0,1	0,0	0,0	3,3	0,0
Manufacturing	38,8	54,2	40,6	24,6	60,8
Other industry	19,0	8,6	0,0	19,3	12,6
Private R&D institutes	3,6	3,1	0,0	9,8	1,6
Public sector	16,4	14,1	31,1	16,4	3,6
Higher education	22,2	19,9	28,3	26,6	21,4

Table 7: R&D expenditure by source, % of total 1997

Total	DK 100	FI 100	IS 100	NO 100	SE 100
Private means	53,3	62,9	41,6	494,4	68,7
Research councils	4,2	7,0	4,4	10,7	2,1
Public means	34,0	24,0	44,3	32,3	22,4
Higher education	-	0,3	-	0,3	0,3
Other national means	2,8	1,6	0,0	1,5	0,8
EU-means	2,6	1,6	0,0	1,5	0,8
Foreign means, other than EU	3,3	3,8	6,2	5,0	3,3

5. Regional development policy

Regional economic development policy in Finland

The biggest challenge to regional policy in 1990s was the need to restructure the production structure in order to achieve international competitiveness. This objective was pursued by shifting the focus from traditional industries onto the development of knowledge-based production. The geographically extensive network of universities and polytechnics in all parts of the country provided a good basis for this endeavour, together with their science parks, regional research centres and continuing education centres, which stood as a testament to the core component of Finnish regional policy in the 1990s (and early 2000s), namely the centres of expertise. Work on developing these centres commenced with the introduction of the new regional policy legislation in 1994, which proposed a new policy approach more in line with EU trends, i.e. the programme-based regional policy approach. Another shift introduced by the legislation was the consideration of urban policy side by side with that of rural policy, essentially acknowledging the urbanisation of Finland and the concentration of population in the urban regions. Both policy areas were naturally necessitated by the same factor, the restructuring of the economy and of industry, which was however to cause increasing unemployment in both the cities and in the countryside over the period in question.

The 1994 legislative reform also included important institutional changes, as it acknowledged the fact that new regional entities were needed for the management of EU regional policy. Responsibility for regional development co-ordination (as well as strategy formation) was thus transferred from the regional state authorities, i.e. the Provincial State Offices (Counties), to Regional Councils functioning as joint municipal boards (19 + Åland). At the same time, the Provincial State Offices were reformed and their number was decreased from twelve to six (Oulu, Lapland, Eastern Finland, Western Finland, Southern Finland and Åland). The regional councils were given the task of drawing up their own strategic plans, which implied a major change in regionalized development methodology. Planning and project work associated with the Structural Funds equally added to this shift in working practices. Both during the previous and the current Structural Fund periods approximately the same share (around 50 %) of the Finnish population lived in regions eligible for EU regional support. Together with ongoing

national support for regional development, this makes the Finnish structural policy coverage the *fourth highest* in the whole of the EU, after Greece, Portugal and Spain.

Another organisational innovation was the establishment of Regional Employment and Business Centres (T&E-centres), established to promote and co-ordinate trade and industry, as well as employment – related activities in the regions. The T&E-centres brought under one roof the previous district authorities of the Ministry of Trade and Industry's business service, the National Technology Agency's (TEKES) regional offices, the Finnish Guarantee Board's regional offices, the Finnish Foreign Trade Association's regional offices, the Ministry of Labour's labour district offices, as well as the rural district offices of the Ministry of Agriculture and Forestry.

Such decentralising institutional developments aside, trends in the 1990s and early 2000s have been predominantly of a centralising nature, particularly in terms of migration. It was recently estimated by Statistics Finland that domestic migration has once again reached the then record levels of the early 1970s. Migration and the decreases in population of the peripheral regions have however not gone without direct effects for service provision: In 1999 every fifth municipality was without its own post-office, as the amount of post-offices had decreased from around 3000 to 569 by 1999. This is naturally only one side of the coin: On the other hand services in urban areas, especially in the capital region become over-stretched and the level of demand in the building sector is considerably higher than the corresponding level of supply. It has been estimated for instance that an average 10 000 new flats should be built in the Helsinki area by 2020. Both the building trade and the spatial planning system in the capital region are however unfortunately unlikely to be prepared for such an increase.

Between 1995 and 1999 the weakest region in terms of regional development (as measured in GNP, investment and employment) was Eastern Finland. Here both employment and investment have lagged behind in comparison with the national average. Other regions also in some comparative difficulty include Satakunta, North Karelia and Lapland. Whilst in total, the development of GNP, and the levels of investment and employment have been in decline, regional patterns indicating which factor is the cause of this over-all weakness differ markedly. Satakunta region has done particularly poorly in terms of investment, while Southern Karelia has done poorly on all three accounts. On the other hand, Lapland has suffered particularly from the slow growth in production. New policy initiatives and regional strategies are

however currently been implemented in order to deal with these problems and regional imbalances inherited from the recession of the early 1990s.

It is probably fair to say that in recent years the EU structural funds have had an important balancing impact to regional development in Finland, as most of them have been allocated to the less developed rural and sparsely populated areas previously covered by Objective 6 (during the new programming period Objective 1). There has however also been an increased awareness of the fact that European funds and policy objectives cannot simply replace national initiatives, particularly in light of approaching EU-enlargement. The regional centre development programme²⁵ aiming at the creation of a stronger polycentric urban network as a counter-balance to the centralising trend of the previous period can therefore be taken as one indication of this awareness.

Industrial and urban policy in Denmark

Regional economic development issues are handled at several levels in Denmark. Municipalities are responsible for providing local plans for the vicinity of the municipalities; counties are responsible for regional planning by supplying plans for their vicinity, while the national authorities are responsible for nationwide planning.²⁶

The history of Danish regional planning stretches back for a considerable period of time. The planning structure of today dates back to the planning law of 1977 (*kommuneplanloven*). The first generation of plans were developed in the late 1970's and in the 1980's. A new planning law was initiated in 1992, consolidating the existing heterogeneous sets of planning laws. This law specified a clearer distribution of tasks, such that the counties were given the responsibility for planning and administering open land, while municipalities were given the corresponding tasks with respect to urban areas including cities and leisure areas. More recently, as a result of the work of the *Hovedstadskommissionen* (1995), a commission initiated by the government concerned with the future of the metropolitan area, a number of reforms were initiated. Among the recommendations of the commission was the establishment of a council for the greater metropolitan area. This council, which subsequently came into being, later initiated an analysis of the economic future of the

²⁵ More on this initiative

<http://www.intermin.fi/alue/aky/aluek/english/index.html>.

²⁶ The political goals for overall nationwide planning are described in what is called a "Landsplanredegørelse". The most recent of these plans is "Landsplanredegørelsen 2000" published in 1997 with the subtitle "Local identity and new challenges", see Miljø- og Energiministeriet (2000).

metropolitan area – inspired by the paradox that the area was blighted by low growth even though it sustained a high education levels.²⁷

The Ministry of Housing and Urban Affairs has focussed on the issue of creating a sustainable effort with regard to the individual parts of urban areas (see By- og Boligministeriet 1999). In the Industrial and Urban Policy Committee's work, (Erhvervs- og Bypolitisk Udvalg 2001), the focus has now shifted towards the consequences for urban areas of ongoing changes in business structures – work that takes as its starting point some of the conclusions from By- og Boligministeriet (1999). (For a more detailed description of the development of planning policies, see Miljø- og Energiministeriet 1999b).

A number of recent initiatives have addressed the question of regional economic development. The first memorandum, published by the Ministry of Interior Affairs in 1997 (Indenrigsministeriet (1997), focussed extensively on the economic future of the metropolitan area around Copenhagen, and provided some ideas for securing this development. The metropolitan area has since enjoyed a period of positive economic growth partly based on extensive state investment in the area (e.g. Indenrigsministeriet 1997). This led to the demand for a similar undertaking to be made with regard to Jutland and Fyn, and finally in late 2000 the Ministry of Trade and Industry published a report in this respect entitled, "Erhvervsredegørelse Jylland-Fyn". This report proposes a number of new initiatives designed to oversee and promote economic development in Jutland and Fyn, and there are already indications that the necessary levels of political commitment will be forthcoming in order that such initiatives will be effectively co-sponsored.

Generally speaking, there has been a focus on regional growth milieus; an initiative which awaits decision on the projects to be supported under the scheme. The EU Structural Fund programme (Objective 2) obviously also has regional relevance. The programme for period 2000-2006 targets 51 municipalities, of which 27 are small islands. The total level of funding available under the programme amounts to around 600 million euros for this period.

²⁷Note, that the work performed in Opgavekommissionen (1998a) and Opgavekommissionen (1998b) also originated from recommendations from the commission "Hovedstadskommissionen".

Norway: Growth oriented regional economic development policy

A white paper (*St meld nr. 34, 2000-2001*) entitled “District and Regional Policy”, tabled in April 2001, states that “The main objectives for district and regional policy remain unchanged: The objective is to maintain the principal characteristics of the settlement pattern and to ensure equivalent living conditions throughout the country.” Notice is given, however, of a shift in policy for regional economic development for the coming four-year period, both with regard to its organisation, focus and use of means.

The State Industrial and Districts Development Fund (Statens nærings- og distriktsutviklingsfond, SND) was established in 1993, combining the earlier public authority, the Regional Development Fund (*Distriktenes utbyggingsfond*) with three other public and semi-public institutions. SND was established as an independent state-own company under public law. It has since that time established branch offices in most of the counties and the previous grant-giving authority of the counties has been withdrawn and transferred to SND. SND’s activity is two-sided, since it includes both nation-wide and district-specific means and programmes. The counties are expected to provide strategic direction in the use of SND’s resources and are responsible for the budgeting item Regional Industrial Development through their Regional Development Plans (RUP).

Transfers of grant-giving authority from the counties to SND with its county branch offices resulted in practice in the centralising of decision-making authority controlling the use of business-directed means in regional development policy. In recent years SND’s resources and programmes have, to an increasing extent, been characterised by a *growth orientation*. This applies also to the use of district-specific resources.

The following guidelines are set for the implementation of the policies of regional economic development:

- *A shift in focus from individual locations to regions.* The core strategy will be to develop larger, cohesive labour markets and residential and service regions. This will in turn enable a stronger emphasis on the developmental possibilities for regions taken as a whole, rather than focusing merely locally.

- *A changeover from focusing on individual actions to emphasising collective needs.* Actions directed at developing robust communities will be more important than actions aimed at individual locations and individual businesses. Robust communities are

communities which have a comparable and stable welfare provision, competitive, profitable and adaptable industry, good access to competencies and a varied labour market, housing and service selection. The government aims at ensuring a dynamic municipal sector, which can provide comparable levels of services to their residents. There is to be good access to state services throughout the country. New state undertakings shall normally be situated outside of the capital area through a distribution of state activities, tasks and functions. Compensatory restructuring measures shall be introduced in municipalities that to a significant extent have suffered reductions in their employment possibilities as the combined result of a number of changes.

- *From individual businesses to the development environment for businesses.* Use of means will be more pro-active and development-oriented. Resources will be directed towards three principal areas: i) competence and innovation in the existing industrial environment. More consideration will be given to competence development and innovation; ii) increased establishment of competitive, future-oriented and innovative businesses will be stimulated, especially in industries with high value-creating potential. Efforts will be directed at introducing entrepreneurship in the education system at all levels; iii) the aim shall be to develop good regional value-creating environments, through co-operation between organisations and between organisations and knowledge institutions.

- *From individual responsibility to joint action* for regional development The counties will have principal responsibility for establishing and developing co-operation in regional partnerships between counties, regional state actors, municipalities, industry, competence institutions and private organisations. Such partnerships can also be mobilised to take joint actions for regional development.

- *From sector action to co-ordinated action.* All policy fields of relevance for regional development must be viewed in an overall context. The implementation of such policy involves better co-ordination and more co-operation across the boundaries of current ministries, sectors, authorities, directorates and professions. There is a special need to ensure good co-ordination in specifying concrete national goals among various ministries responsible for policy formulation and means linked to industrial development. It is a

central challenge to have municipalities and counties, which place important framework conditions for and provide important services to both residents and industry, do their part to ensure the objectives of district and regional policy are achieved in the optimal manner.

- *From central regulation to greater regional freedom.*

Greater freedom will be extended for undertaking regional and local prioritisation within the framework of national objectives and strategies. Means will be divided between i) preparing the way for social and industrial development and ii) direct commercial actions. The regulatory framework is to be simplified and a greater share of the organisational district policy instruments, which today are exercised centrally, will be delegated to the counties, giving them a greater degree of freedom in their use of preparatory actions. These changes will be viewed in the context of the introduction of four-year regional development plans (RUPs), replacing the current yearly plans, and of the implementation of a new division of responsibilities between the operational levels.

The government's express objective in the renewal sketched out above is to make district and regional policy more holistic, offensive and realistic.

New policy orientation after October 2001

The new centre-right government that took over from the social-democratic government in October 2001 has so far (May 2002) signalled a reorientation of the growth oriented regional economic development policies specified above. In the final version of the state budget for 2002, substantial cuts were made in the former government's proposal for means to stimulate regional economic development. In a statement to the Parliament in April 2002, the Minister of Municipalities and Regions signalled a less ambitious regional development policy, putting more weight on the regions' own growth capabilities. The contents of this possible policy change will appear from the state budget for 2003, that will be presented in the autumn of 2002. Tighter financial frames for the municipal sector and especially for peripherally located municipalities were forecasted in May 2002.

Regional policy changes and challenges in Sweden

The recent regional policy bill in Sweden provides an outline of the contours of a design for a dual regional policy, with one set of measures aimed directly at encouraging economic growth and the better

functioning of regions, while the other set looks to equalise living conditions across the population.

Measures for economic growth

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

(a) Structural measures should be directly aimed at the improvement of accessibility through the communications infrastructure. In more densely populated EU regions the road infrastructure and public transportation network should be of particular importance in such strategy, in order to "enlarge" the local commuting area thus enabling rural regions to come into closer contact with regional centres which have more varied labour markets and modern industrial sectors within the new economy. In Northern peripheral areas, this strategy has had only a limited effect because of the long distances involved. Here, a modern ICT-infrastructure has to be developed by means of public intervention. The future development of these regions into modern knowledge based economies depends however upon access to the necessary modern technology to overcome geographical distance. Investment in such infrastructure may be an important element in a development strategy for such regions facing depopulation. It may attract businesses by lowering their installation costs and thus enhancing the advantages of the region concerned. Investment in telecommunications networks and educational facilities as well as the existence of public services such as nurseries and hospitals may also increase the possibilities of changing this negative trend. The diffusion of broadband techniques, facilitating access to tele-medicine and distance learning are associated elements here.

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

(b) The stimulation of endogenous factors should aim at improving the capacity of networks in the rural areas and as well as those between rural areas and urban centres. These networks have to be built upon certain historical economic and cultural traditions grounded in each region. The improvement of the competence of the workforce is of outmost 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

of the utmost importance 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. While community initiatives and innovative actions are important measures with a view to these needs.

Measures for improved living conditions

The *second element* of the dual policy suggested here, i.e. measures to maintain the relatively equal living conditions between regions, is deeply rooted in most European welfare state traditions. The equality of living conditions includes transfers to local governments/municipalities for the provision of services, transfers to individuals compensating for low incomes, and several other measures. There is however a significant need for the better co-ordination of these efforts between the differing sectors. There is also a need for reorganisation to take place and for new technology to be used in basic services, particularly to cut costs and to improve quality and accessibility. This is a major and indeed challenging task in the remote and depopulated regions.

Implementation of this dual strategy should be done in a co-operative manner between local/regional actors and the state, in order to adapt to local conditions, i.e. in accordance with the type and tradition of the areas under consideration.

Iceland: Increasing funding for local and regional development

The general trend in *regional (economic) development* over the last few years has been quite clear. The government has increased funding for local regional development through the Institute of Regional Development, run by local development associations. At the same time the institute has closed its regional offices, which were located in four different locations.

The institute has been allocated 300 m ISK *per annum* to provide equity capital in regional holding companies that have the task of buying shares in growth companies. There currently remains however a distinct lack of information as to the success of this scheme. The third important aspect of regional economic policy is the New Business Venture Fund. This fund was created as a part of the general restructuring of investment funds in Iceland and their subsequent privatisation. It is divided into four sub-units, each located outside the capital area, though the entire country is their market. They are supposed to invest in growth companies, particularly in the information and high technology sectors, outside the capital area.

6. Conclusions

Conclusions on the higher education sector

The marketization of higher education

The 1990s have entailed important policy shifts within the higher education sector in all of the Nordic countries. Partly these have to do with an ideological shift from notions of traditional “welfare state” thinking towards more neo-liberal concepts of the “marketization” of education, though they have also been in line with traditional Nordic concerns with universal education. The size of the higher education sector, as well as the number of undergraduate and post-graduate degree courses have all increased, as have levels of R&D expenditure. In many cases this has however been achieved within the context of decreased levels of public funding. It can be said that private funding for R&D has become increasingly important and as this is not targeted at teaching, this is the main area which has suffered. Applicable R&D on the other hand has received a boost through increased funding opportunities

An emphasis on innovation and expertise in all areas of public policy

Increasing emphasis on innovation and expertise as the keys to both national and regional competitiveness have however seen the adoption of partly contradictory policies: on the one hand regionalization (establishing a more extensive network of higher education institutions in all parts of the country and thereby providing an increasing number of graduates), on the other hand increased concentration of funding and resources within the “growth sectors” of the educational economy.

The regional impact of higher education and the “third task” in focus

The usual solution to any policy failure today seems to be a call for more and indeed *better* co-ordination. This is also the case with the higher education sector discussed here. Regional policy is increasingly seen as regional *industrial* policy, which also brings the whole educational and innovation system into focus. The current emphasis on the “third task” of the universities and other institutions of higher education – as dialogue and co-operation partners within their social environment – makes this need for co-ordination all the more pressing. As such, the “third task” has

become an accepted part of the functioning of the higher education sector working in an interdependent relationship with the community at large. This is of particular relevance to peripheral regions that are less endowed in R&D resources and therefore need to utilise what they do have as efficiently as possible. Such new partnerships can also provide for new working practices, which in turn provide the much-needed boost to regional attractiveness and innovation.

The centralisation of R&D

While it can be noted that decentralising tendencies within the higher education system, and between the central authorities and individual universities are undoubtedly positive new trends in the higher education sector, the move towards the increasing centralisation of R&D funding and internationally oriented (and internationally competitive) activities may have the opposite effect for the peripheral regions.

The uneven regional distribution of R&D funding is part and parcel of the wider centralising trends that now mandate that we see regions in competitive terms. If pure economic indicators (of national competitiveness and efficiency) are accepted as a guide to allocating public funding and steering policy in the area of expertise and innovation, the peripheral regions are likely to lose out. However the R&D activities in the more peripheral regions are of utmost importance for regional development as a whole, and therefore should be seen as valuable also from this point of view. It becomes sometimes a question of choosing whether higher education, as part of investing in human resources and welfare and in the self-realisation of the citizens themselves is seen as a value in itself, and the availability of higher education is promoted as a policy priority of relative value to the region in question, or whether higher education is an area where investments should be first and foremost judged by their profitability in national or international terms.

In order to strike a balance between these two policy aims, i.e. the availability of education and research in all parts of the country, and internationally competitive R&D, more attention should be given to ensuring that the national (central) institutions and regional institutions can compete on equal terms, which at least in the initial stages requires central government intervention. Though central governments can only have a limited effect on regional prosperity, their proactive policies are still needed to support local and regional initiatives.

Policy for infrastructure and communications in the Nordic countries – common characteristics

Reforms in the 1990s decided and implemented without ex ante evaluation of spatial impact

The rationale for the deregulation of certain state sectors and for structural devolution through corporatization across the Nordic countries in the 1990s was to enhance overall national efficiency and to achieve cost savings in the state budget. This has led in many cases to national exchequers inheriting a substantial “revenue windfall” that could be used to finance public expenditures in other areas. However, the spatial aspect and impacts of these decisions was largely neglected and the spatial impacts were not systematically evaluated *ex ante*.

Small markets and sparse settlement structure competitive disadvantages

The primary problem of achieving benefits from deregulation in the state sector and structural devolution by corporatization across all of the regions in the Nordic countries is associated with the smallness of markets and their sparse settlement structure. Small markets reduce their intrinsic “attractiveness”, in the eyes of potential investors, and limit the number of competing bids by qualified operators. With limited price competition the risks of negative price discrimination are apparent. Sparse settlement increases the per capita costs for most types of infrastructural investments. This tendency seems applicable also for a densely populated country like Denmark. Generally speaking, scarce populations resources (due to decreasing/low fertility) become centralized at certain functional centres, leading to increased costs. Nevertheless, congestion costs at such centres, and the increased per capita cost of infrastructural investments are possibly countered by gains from economies of scale.

A semi-monopolistic situation reappears

After a period of turbulent competition in the deregulated sectors – e.g. domestic air traffic – a monopolistic pattern is re-emerging particularly in the peripheral regions. This seems to be most obvious in Norway and Sweden. Increasing costs due to monopolistic pricing are largely passed on to the customers and local municipalities, while compensation from the state budget is in most cases limited.

This re-emergence may not be specific to peripheral regions in Denmark, as the same patterns are observable in other locations. In 2000, there were e.g. 4-5 private suppliers in bus services with a total market

share of around 80 percent of regional services. This indicates a strong concentration in the provision of certain deregulated services. The same pattern of development seems to be underway in a number of other areas and thus necessitates more emphasis of competition regulation authorities focussing on spatial effects. One may also think about the appropriateness of the instruments used in the deregulation process. Calls for tender on large chunks of local services to ensure low prices from economies of scale may in the very short run lead to competition, but may in the long run reduce competition.

The limited efficiency of the controlling mechanisms and correctives for spatial bias in infrastructure service supply

Controlling bodies were set up to supervise deregulation and procurement, with the primary task of safeguarding the requirements for competition and reinforcing quality control at the national level. In several cases attempts are being made to include more elaborated systems for monitoring spatial impacts, e.g. accessibility in Swedish transport policy, but thus far they have met with only limited success. The common reason for the limited effects of such methods of control and regulation is basically related to the capacity and competence delegated to the supervising agencies in relation to the size and complexity of their task.

A general concern of the Danish Parliament relating to the spatial impact of central government legislation and regulation has in Denmark led to work being done on these spatial consequences. This has resulted in the drawing up of a report "Regionale konsekvensvurderinger af statslige tiltag" by the Ministry of the Interior, Copenhagen (February 2001). There have been some attempts to do *ex ante* evaluations in a number of policy areas, but this has occurred on an irregular basis and following *ad hoc* procedures. The report proposes a set of procedures to be followed in undertaking such evaluations of the spatial consequences (of e.g. infrastructure policies), which may indicate that changes are underway. The report is, to some extent, inspired by Norwegian procedures for the evaluation of (regional) consequences.

Sectoral division of responsibility still strong at the central level

Budget constraints at ministry/central administrative board levels limit the incentives for cross-sectoral co-operation in all Nordic countries. Better co-ordination is a constant concern, but often remains firmly stuck on the rhetorical level.

The most recent Danish government has tried to counter this tendency by establishing "super-ministries", with strongly interrelated tasks. One such example is the new Ministry of the Interior and Health,

now a single ministry – note hospitalisation is perceived as a core service and lies within the responsibilities of the counties. This may be seen as an attempt to curb the powers embedded in the counties – i.e. in deciding on services levels – resulting from decentralization. This is even more necessary as the most recent budget increase from central government to the hospital sector is being made conditional on performance, which is in a sense a new tendency across the local governance sector in Denmark.

Claims for more regional and local authority over major investments and maintenance

Although there is an expressed policy intention to achieve more regional authority over investment and the maintenance of communications related infrastructure, in practice the national interest is stressed in the long term plans in Sweden, Norway and Finland. This is basically a reflection of the political landscape, where a small number of central locations and actors are in a relatively advantageous position to claim that their own interest is in line with the national interest. Regions are however gradually attaining more influence as to the timing or prioritisation of investment within the region. There are for example now numerous examples of more regionally based initiatives for launching projects in partnership and through the establishment of alliances.

There are long-term central government plans for road investment in Denmark, although these plans are by and large confined to state roads, i.e. roads that are the responsibility of the state authorities. The partnerships occurring in Denmark seem to be state-regional partnerships. In any case, decentralization in the field obviously stresses the need to ensure co-ordination. This is particularly so, as it is an area that has repeatedly been subject to “lobbying” by politicians elected from specific areas.

Technological development and innovation in the communications sector: A threat or an opportunity for the regions?

Telecommunications technology and its applications were early developed – supported by centrally planned programmes – across the Nordic countries, reflecting specific natural, historic and industrial features. In the present situation with the constant renewal of IT applications, the possibility of any public intervention being made is however decreasing. In general IT is supposed to blur the centre-periphery structure, but thus far there are few signs of this affecting the location of economic activity. While IT may be “non-territorial” in principle, many of the by-products and practical applications seem to prefer clusters more in line with a central location strategy. This became apparent for instance in terms of R&D investments. However, there is no

doubt that the emergence of e-business, e-trade, e-recreation and e-education will make a big difference to all regions and particularly to remote and sparsely populated parts of the Nordic countries. There thus now seems to be a consensus in all countries that there is an urgent need for increased public responsibility for the provision of the infrastructure in these regions.

New technology in terms of goods and personal transportation is introduced at a slower rate, and the dependence on long-term investment made on infrastructure projects limits the spatial impact of new technologies.

The extent of public interventions in this regard may be debatable. It is true that public interventions in the form of state owned monopolies have eroded, but as the marketization of the natural monopoly has proceeded (monopoly: due to the cost spread between mobile and fixed lines), the need for the re-regulation of the market has increased. This is clearly seen from the rather active role of the state institution "Telestyrelsen" in Denmark. Moreover, one should note that the development of the IT sector might have had profound regional consequences in Denmark. The area of northern Jutland has moved from being an area in the periphery to one attaining the status of an "IT cluster". This may however arguably be caused by the specialized university services provided by the local university established in the 1970's.

Objectives for transport and infrastructure policy broadened

In order to promote the traditional objectives of accessibility and efficiency in the areas such as infrastructure and communications policy, regional development goals (and environmental objectives) were progressively introduced over the last few decades. This tendency is particularly obvious in Sweden, with the launching of the recent Government Bill on infrastructure. Infrastructure policy is gradually converging into being simply one measure within the general approach to regional structure policy. Additional objectives in this policy area concern gender equality as well as the more explicit goals of encouraging economic growth. The spatial implications of these additional objectives on policy implementation are still however to be evaluated.

The emergence of private – public partnership in infrastructure projects

Even here, the spatial implications of such policy decisions are as yet obscure. A plausible hypothesis is that the centre – periphery dimension will be accentuated in the long run, though attention should be drawn to

the two latest bridge projects in Denmark. For the Øresund Bridge, the infrastructure on land was provided by central government, while the bridge was built by a state owned company. This model may be used once again for the new (as yet potential) project for a Femern Bælt bridge. Construction and financing of this bridge must be at the expense of private enterprise, as the German government is prevented from financing the bridge for legislative reasons. However the infrastructure on land will probably be provided by central government, thus indicating a private – public partnership.

Supranational directives becoming more influential in planning

This is evident from recent EU directives and far reaching plans for the Trans European Network (TEN). Work is in progress in terms of the standardization of communication services in quality and accessibility. It is important that the Nordic countries can develop a common understanding of the specific problems and resources which these countries share vis-à-vis the European continent. In principle, the links within and between peripheries (primarily East-West -oriented) should be given the same priority as the larger North-South links between periphery and centre in Europe. The Nordic countries should also make this priority more audible in EU-wide debates.

A widening of the debate would imply the need for a fuller debate on the regional/national/supranational duties and burdens that would have to be resolved in the context of the changing supply and demand relations in the sector, resulting partly from competition policies.

Regional development policy in the Nordic countries – commonalities and disparities

From support to zones and localities, to “help to enable self-help” for functional regions

In all Nordic countries the recent trend has been to discuss and develop strategies for dynamic functional regions, often referred to as local labour markets. Localities within these regions are treated as interdependent in terms of housing, service and labour markets. The role of the central state thus expressed as the provider of “help to enable self-help” for each of these functional regions, rather than to guarantee equal living conditions. The focus is on liberating each region’s economic growth potential. Better functioning and more stable co-operation between administrative units i.e. municipalities, has been reinforced for a time in Finland and more recently advocated by central government in Sweden. In Norway

inter-municipal co-operation exists in some areas, focusing mainly on technical services.

However, one should not forget the implications of automatic stabilizers of macro policies in ensuring equal living conditions. These forces working to equalize inequalities between regions may become more outspoken as one moves from administrative to functional regions, to the extent that automatic stabilizers work more actively in a functional region due to labour market mobility. This may alleviate some of the need to have explicit policies of regional equalization. The move towards cooperation between administrative units in different municipalities can be observed as part of this process, particularly in the field of technical services.

From projects to programmes

With Swedish and Finnish membership of the EU, the principles of programming in regional development and structural policy have become largely accepted also in national policy across all Nordic countries. Evaluations show that programmes are important in the initial phase and in mobilizing regional partnerships. In implementing programmes, however, the project culture often follows its own logic – i.e. with an emerging profession of project managers with their own criteria for success. The Finnish experience stands apart from the rest however, with a more conscious governmental policy line designed to strengthen regional centres of expertise as “growth poles”. Norwegian counties are supposed to draw up “regional development programmes” in partnership with the state and with private enterprise and similar process is ongoing in Denmark with the drafting of regional growth strategies. The status of the implementation of this activity is however, at present uncertain.

From “support to firms” to “the development of networks and the business environment”

The regional economists’ and economic geographer’s ideas on clusters and industrial districts have now been widely accepted by policy makers across the Nordic countries. In the Swedish case, more or less all twenty-one of the regional growth agreements/programmes formulated by regional partnerships are based on the cluster model, be it the Aluminium cluster in Småland or the Music cluster in Hultsfred. Networking is thus now a basis for most programmes for small and medium sized enterprises and rural development. In Norway state measures aim to support regional clusters. Thinking in terms of clusters and networks in respect of regional development is also predominant in Denmark, as seems clear from some

of the latest reports on regional development “Erhvervsredegørelse Jylland-Fyn”, Aarhus Amt, Aarhus (October 2000).

From single, to joint responsibility

Across all the Nordic countries there is a tradition of cooperation at the regional level, although the responsibility and resources for regional policy implementation has generally been assigned to one single agency or actor, representing the state. In recent policy documents the expected synergies of regional partnerships have gradually become clearly expressed. However, the formal status and the democratic foundation of these partnerships are seldom, often never clearly defined.

As regards Denmark, co-operation as a tradition may be overstating the mark. Municipalities have cooperated to some extent with somewhat differing levels of success and their main motivation has been attracting new business. Yet, the increasing focus on networking in today's society seems to generate such changes. It should also be borne in mind that the state level has a weak role in Danish regional policy. There are regional bodies at the level of municipalities (councils of business development) and counties (bodies of regional development), while state involvement is pursued by various bodies depending on the general area (in general the Ministry of Commerce). Thus it is debateable whether this whole question can be adequately related to the specific Danish context. In respect of such synergies, the Danish case indicates that they are most often seen in attempting to arrive at specialization gains in public administration (tax auditing, technical services and others). The concerns with regard to the democratic foundation of such “institutions” have been raised in Denmark, e.g. in a number of reports.

From sectoral to cross-sectoral policy

Plainly, over the last ten years or more, most of the Nordic countries, have been willing to encourage the development of a broader and more efficient regional policy, from both the central and the regional levels. At times this may have been more rhetoric however, as in none of the countries has there been a systematic effort to develop an institutional and legal framework for securing this in practice. On the contrary, the recent fragmentation of the state sector due to the demands of marketization and structural devolution has made a broader regional policy more difficult to achieve than ever. For instance, regional policy in Denmark appears to have been further reduced in scope at the central level in recent years. Demands for proactive regional policies have increased at the same time as institutional capability to deliver such a policy has become increasingly fragmented.

From centralized rules to regionalization

The role and the legitimacy of the nation state is now coming under intense pressure in all Nordic states. In particular the more prosperous regions are gaining in self-confidence and are thus now better able to establish both cooperation and competitive positions with regard to regions in other countries. On the other hand, the less prosperous and more peripheral regions continue to emphasize the need for state intervention and public transfers to secure national standards in service provision and infrastructure.

One may thus envisage a hierarchy – metropolitan areas/centres focus on international competitiveness, while sub-centres measure themselves against their nearest metropolitan area. The periphery risks losing out in this environment of vibrant competition. In this socio-economic climate, it is not clear what their competitive advantage is, or indeed could ever be. At the same time marketization redistributes some of the control over local services in the periphery into the hands of private firms, which may bring questions of service and provision into conflict with the need to compete, (e.g. marketization/privatization of railroad services in Denmark).

From a national to a European perspective

The desire for greater levels of cohesion and growth across the whole expanse of the European territory over the last decade has unfortunately not resulted in the reduction of regional disparities *within* each of the EU countries, rather it has precipitated precisely the opposite occurrence. With the expected enlargement of the EU, and the correspondingly lower levels of funding for European structural policy in current member states, these disparities are thus more likely than ever to widen rather than diminish or indeed disappear. This necessarily entails therefore that the nation state retains responsibility for a certain level of cohesion and balance between regions, and that its role in so-doing is conceived of in a constructive rather than in a negative manner. As such, a “rebirth” of national regional policies may thus be underway. To what extent this is possible under the stability conditions (of the EMU) is however an open question.

From regional policy to a two-fold policy of growth and equity

We can now see a regional policy shift occurring across the Nordic countries envisaging a dual regional policy design, with one set of measures aimed directly at encouraging economic growth and the better functioning of regions, and the other tailored to equalising the living

conditions of the whole the population. In previous times it was usually politically feasible to treat regional policy as a set of measures aimed at regional development in a general – i.e. undefined – sense. We assume that this new and explicitly *dual* role for regional policy in Nordic countries will however make it easier to evaluate and reform national regional policies. In particular, democratic support for specific policy approaches, using *specific government measures* should become more transparent.

From policy evolution to policy evaluation

There is now an increasing tendency in the Nordic countries for regional policy design and implementation to be viewed as more of a learning process than it used to be. This is partly because of the ever increasing number of actors participating more focus on organisational roles, and partly also because of the more general acceptance of policy experiments and the use of unconventional measures. It is also closely connected to the greater use of evaluation procedures. The old approaches to regional policy in the Nordic countries were generally seen as processes of glacial reform, due to the enduring clash of long term vested interests, both by lobby groups and supported regions. Whilst current forms of regional policy and the emphasis on policy evaluation and learning change the nature of policy it should not be assumed that vested interests become obsolete as a consequence. The aspects of learning by doing can however incorporate a wider set of actors into the best case scenario – influencing regional policy and – in make the policy process more transparent

Need for clearly defined responsibility for the state in geography

Much of the concrete action involved in the building of society takes place at municipal level, where physical planning of housing, workplaces, services and infrastructure is combined to an increasing extent with measures in support of industry. The larger municipalities especially compete with each other to an increasing extent. Housing districts with a concentration of social and economic problems are generally regarded as local phenomena despite the fact that their development is connected to both national and global tendencies. Co-operation – or solidarity – between municipalities is not always sufficient to create either effective or in any sense equitable regional systems for provision of services and infrastructure and housing construction. This applies especially to the big city regions. There are therefore clear and pressing needs for planning of equivalent living circumstances taking a wider scope.

An ever more integrated economy, with a future which is difficult to predict, rapid technological change and shorter lead times, have all

resulted in ever more complex premises for social planning and political decisions which has become more and more difficult to accomplish within the framework of centralised and regulated decision-making arrangements. Centralised solutions are also becoming more difficult to achieve when the framework of state resources has been steadily shrinking. Above all socially, ecologically and economically sustainable policy it will be difficult to achieve without continual gathering of knowledge about changes in the regions and in neighbouring countries. Whilst we have argued for state intervention in some policy sectors, we need also acknowledge that in many cases a further decentralised form of social planning is needed. Co-ordination at central level, taking into consideration national policy objectives, must be exerted by specifying clear objectives, setting the framework for the decentralised decision-making arrangements and ensuring a qualified follow-up and evaluation.

As has been stated above, there is a need to formulate clearer objectives, especially for the equalising regional policy. Today it is possible to a greater extent to implement and set limits for acceptable accessibility for various types of services and acceptable standards for basic services, as well as to set quality criteria for what can be accepted as functional local labour markets in different types of regions.

There are a variety of regionally differentiated projects supported by national governments, such as those intended to counter problems in specific urban areas with mounting social problems. While these may make policy more responsive to regional and local differences, one could also speculate whether they actually cause problems for decentralisation, as they are often accompanied by increasing demands for technical expert knowledge, pressures for quicker decision-making, as well as by requirements for better co-ordination across decentralized authorities. Responding to such problems to ensure unambiguous efficiency improvements and better policies is thus a precondition for decentralisation.

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Technical Notes

This section provides statistical and methodical information of the empirical analysis conducted in chapter 2. The task was to compile and utilise a data set that allows for cross-Nordic comparable analysis of employment in primarily state sectors as well as on its spatial distribution. Thanks to the use of the EU standard in statistical classification of economic activities, NACE, comparisons can further be extended to respective empirical findings in other EU countries.

Local Labour Market Delimitation

Nordic countries have different approaches to describe the functional region of a Local Labour Market (LLM). A common standard is still to be established. Thus comparability must rely on given national LLM divisions, the standards of which differ in terms of the methodology of delimitation. Hence Local Labour Markets in this study are described by *Pendlingsoppland* in Denmark, *Työssäkäyntialue* in Finland, *Handelsdistrikt* in Norway and *Lokala Arbetsmarknader* in Sweden (Figure 8).

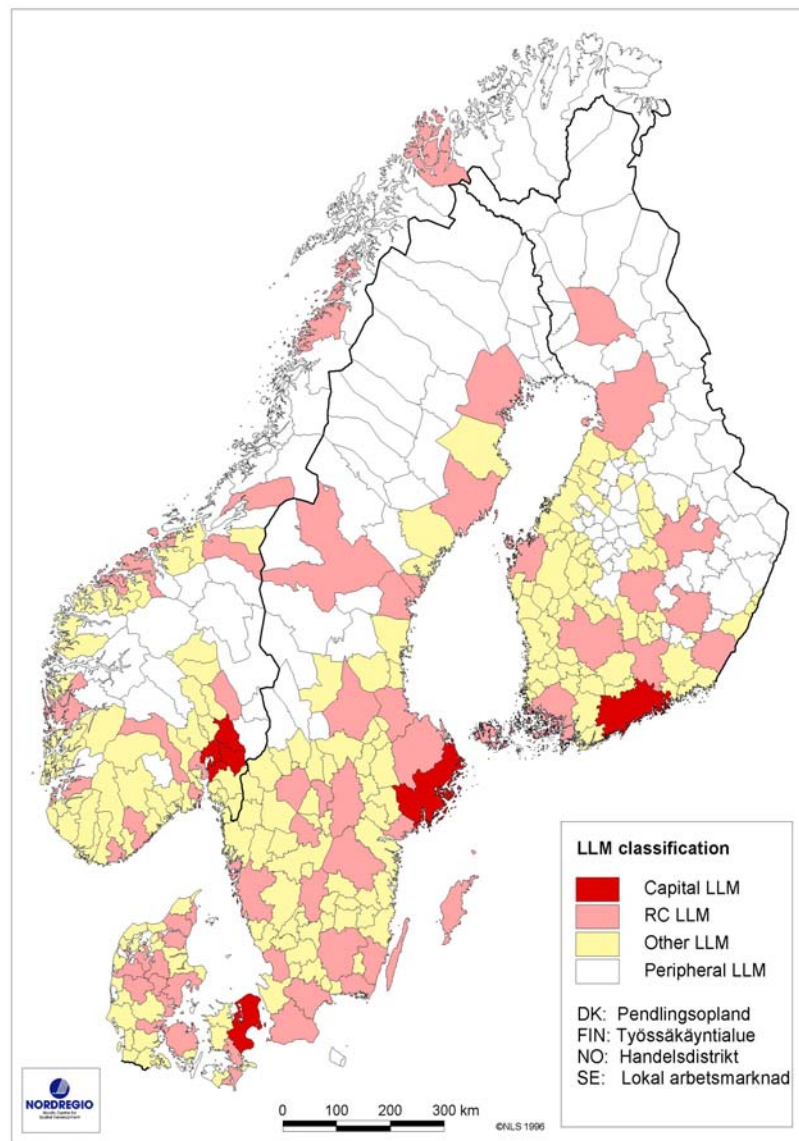


Figure 8: LLM classification according to their centrality

A basic geographical feature characterising the spatial importance of a Local Labour Market is centrality. As can be observed in 8, four groups of centrality (Capital LLM, Regional Centre LLM, Peripheral LLM, Other LLM) classify the Nordic Local Labour markets according to their

1. Function as nodes for administration and service production within the state sector (Capitals and Regional Centres in all four countries).
2. Accessibility in the national context (peripheral LLMs in Denmark).
3. Status as Support Areas in regional policy (peripheral LLMs in Norway) and in EU structural policy (peripheral LLMs in Sweden and Finland are the previous Objective 6 areas).
4. Remaining LLMs in each country are classified as “Other”.

Definition of public and state activities

In this study the term “primarily state activities” refers to economic activities traditionally dominated by state actors. However, private or semi-private actors have an increasingly important responsibility in many of these activities. Some of the services provided in a sector are partly operated by state agencies, municipal and private actors. Since a few years hospitals in Norway are transferred to be managed by the state. This heterogeneity of the “primarily state sector” within and between countries limits the accuracy of comparative analysis based on official data bases, both between countries and over time.

Statistics on employment by economic activity is for only a few years been registered in the Nordic countries according to the European NACE standard, which has improved the availability of comparative statistics in this area also between the Nordic countries. In our case the first common year of data availability for all four considered Nordic countries was 1995 and hence serves as the base year of the analysis. However, availability of such comparable data is steadily improving since employment statistics according to NACE standards are stepwise also been calculated back for earlier years as derivation from time series based on the former national standards. The latest data available was 1999 (Finland 1998).

Changes in employment between 1995 and 1999 (Finland 1998) are depicted in absolute terms and in percentage. All numbers describe the so-called day population, i.e. according to the location of the work places.

The NACE standard classifies economic activities according to a 5-digit sub-level system. An examination on 4-digit level already

provides a rather detailed analysis avoiding problems of statistic marginality when focusing on small spatial divisions (i.e. LLM's or NUTS 5). However, in some cases the change in employment is calculated from rather small figures, which tends to result in an overproportionate share of employment in percentage terms. The economic activities considered to be traditionally dominated by state actors are listed below.

62.10 Scheduled air transport

This class includes:

- transport of passengers or freight by air over regular routes and on regular schedules

This class excludes:

- *regular charter flights, see 62.20*

64.11 National post activities

This class includes:

- pick-up, transport and delivery (domestic or international) of mail and parcels
- collection of mail and parcels from public letter-boxes or from post offices
- distribution and delivery of mail and parcels
- mailbox rental, Poste Restante, etc.

This class excludes:

- *postal giro and postal savings activities and other financial activities carried out by national postal administrations, see 65.12*

64.12 Courier activities other than national post activities

This class includes:

- picking-up, transport and delivery of letters and mail-type parcels and packages by firms other than national post. Either only one kind of transport or more than one mode of transport may be involved and the activity may be carried out with either self-owned (private) transport or via public transport

64.20 Telecommunications

This class includes:

- transmission of sound, images, data or other information via cables, broadcasting, relay or satellite:
- telephone, telegraph and telex communication
- maintenance of the network
- transmission (transport) of radio and television programmes

This class excludes:

- *telephone-answering activities, see 74.83*

- *production of radio and television programmes even if in connection with broadcast, see 92.20 Section J Financial intermediation*

65.11 Central banking

73.10 Research and experimental development on natural sciences and engineering

This class includes:

- systematic studies and creative efforts in the three types of research and development defined above, in natural sciences (mathematics, physics, astronomy, chemistry, life sciences, medical sciences, earth sciences, agriculture, etc.). They are intended to increase the stock of knowledge and to improve the use of this stock of knowledge

73.20 Research and experimental development on social sciences and humanities

This class includes:

- systematic studies and creative efforts in the three types of research and development defined above, in social sciences and humanities (economics, psychology, sociology, legal sciences, linguistics and languages, arts, etc.). They are intended to increase the stock of knowledge and to improve the use of this stock of knowledge

This class excludes:

- *market research, see 74.13*

74.30 Technical testing and analysis

This class includes:

- measuring related to cleanness of water or air, measuring of radioactivity and the like; analysis of potential pollution such as smoke or waste water
- testing activities in the field of food hygiene
- strength and failure testing
- testing of calculations for building elements
- certification of ships, aircraft, motor vehicles, pressurized containers, nuclear plant, etc.
- periodic road-safety testing of motor vehicles

74.50 Labour recruitment and provision of personnel

This class includes:

- personnel search, selection referral and placement in connection with employment supplied to the potential employer or to the prospective employee:
- formulation of job descriptions
- screening and testing of applicants
- investigation of references, etc.

- executive search and placement activities (head hunters)
- labour-contracting activities:
- supply to others, chiefly on a temporary basis, of personnel hired by, and whose emoluments are paid by, the agency

This class excludes:

- *activities of farm labour contractors, see 01.4*
- *activities of personal theatrical or artistic agents, see 74.84*
- *motion picture, television and other theatrical casting activities, see 92.72*

75.1 Administration of the State and the economic and social policy of the community

75.11 General (overall) public service activities

This class includes:

- executive and legislative administration of central, regional and local bodies
- administration and supervision of fiscal affairs:
- operation of taxation schemes
- duty/tax collection on goods and tax violation investigation
- customs administration
- budget implementation and management of public funds and public debt:
- raising and receiving of moneys and control of their disbursement
- administration and operation of overall economic and social planning and statistical and sociological services at the various levels of government

75.12 Regulation of the activities of agencies that provide health care, education, cultural services and other social services, excluding social security

This class includes:

- public administration of programmes aimed to increase personal well-being: health, education, culture, sport, recreation, environment, housing, social services, etc.
- This class excludes:
- compulsory social security activities, see 75.30
- education activities, see 80
- human health related activities, see 85.1
- sewage and refuse disposal and sanitation, see 90.00
- activities of libraries, public archives, museums and other cultural institutions, see 92.5
- sporting or other recreational activities, see 92.6, 92.7

75.13 Regulation of and contribution to more efficient operation of business

This class includes:

- public administration and regulation of different economic sectors: agriculture, land use, energy and mining resources, infrastructure, transport, communication, hotels and tourism
- administration of general labour affairs
- implementation of regional development policy

75.14 Supporting service activities for the government as a whole

This class includes:

- general personnel and other general service activities:
- administration and operation of general personnel services, whether or not connected with a specific function
- development and implementation of general personnel policies and procedures covering selection and promotion, rating methods, job description, evaluation and classification, administration of civil service regulations, etc.
- administration, operation and support of overall general services:
- centralized supply and purchasing services
- maintenance and storage of government records and archives
- operation of government owned or occupied buildings
- operation of central offices and other general services not connected with a specific function

This class excludes:

- *activities of historical archives, see 92.51*

75.2 Provision of services to the community as a whole

75.21 Foreign affairs

This class includes:

- administration and operation of the Ministry of Foreign Affairs and diplomatic and consular missions stationed abroad or at offices of international organizations
- administration, operation and support for information and cultural services intended for distribution beyond national boundaries
- aid to foreign countries, whether or not routed through international organizations
- provision of military aid to foreign countries
- management of foreign trade, international financial and foreign technical affairs
- international assistance, e.g. refugee or hunger relief programmes

75.22 Defence activities

This class includes:

- administration, supervision and operation of military defence affairs and land, sea, air and space defence forces such as:
- combat forces of army, navy and airforce
- engineering, transport, communications, intelligence, material, personnel and other non-combat forces and commands
- reserve and auxiliary forces of the defence establishment
- provision of equipment, structures, supplies, etc.
- health activities for personnel in the field
- administration, operation and support of civil defence forces
- support for the working-out of contingency plans and the carrying-out of exercises in which civilian institutions and populations are involved

This class excludes:

- *provision military of military aid to foreign countries, see 75.21*
- *activities of military tribunals, see 75.23*
- *provision of supplies for domestic emergency use in case of peacetime disasters, see 75.24*
- *educational activities of military schools, colleges and academies, see 80*
- *activities of military hospitals, see 85.11*

75.23 Justice and judicial activities

This class includes:

- administration and operation of administrative civil and criminal law courts, military tribunals and the judicial system
- prison administration and provision of correctional services
- This class also includes:
- rehabilitation services

This class excludes:

- *advice and representation in civil, criminal and other cases, see 74.11*
- *activities of prison schools, see 80*
- *activities of prison hospitals, see 85.11*

75.24 Public security, law and order activities

This class includes:

- administration and operation of regular and auxiliary police forces supported by public authorities and of port, border, coastguards and other special police forces, including traffic regulation, alien registration, operation of police laboratories and maintenance of arrest records
- provision of supplies for domestic emergency use in case of peacetime disasters

This class excludes:

- *administration and operation of military armed forces, see 75.22*

75.25 Fire service activities

This class includes:

- firefighting and fire-prevention:
- administration and operation of regular and auxiliary fire brigades supported by public authorities in fire-prevention, firefighting, rescue of persons and animals, assistance in civic disasters, floods, road accidents, etc.
- This class also includes:
- marine fireboat services

This class excludes:

- *forestry fire-protection services, see 02.02*
- *private firefighting and fire-prevention services in factories, see Section D*
- *firefighting and fire-prevention services at airports, see 63.23*
- *firefighting and fire-prevention services at defence establishments, see 75.22*

80.30 Higher education

This class includes:

- first, second and third stages of higher education:
- post-secondary education not leading to a university degree or equivalent
- post-secondary education leading to a university degree or equivalent
- A great variety of subject-matter programmes is offered at this level, some emphasizing more theoretical instruction and some more practical instruction

85.11 Hospital activities

This class includes:

- hospitalization activities such as:
- medical and surgical technical care activities such as diagnosis, treatment, operations, analyses, emergency activities, etc.
- accommodation activities such as boarding, meals, etc.
- This includes short- or long-term hospital activities of general and specialized hospitals, sanatoria, preventoria, medical nursing homes, asylums, mental hospital institutions, rehabilitation centres, leprosaria and other health institutions which have accommodation facilities, including military-base and prison hospitals
- The activities are chiefly directed to in-patients and carried out under the direct supervision of medical doctors

This class excludes:

- *health activities for military personnel in the field, see 75.22*
- *private consultants' services to in-patients, see 85.12*
- *dental activities without accommodation, see 85.13*
- *ambulance and rescue activities, see 85.14*

92.2 Radio and television activities

92.51 Library and archives activities

This class includes:

- activities of libraries of all kinds, reading, listening and viewing rooms, public archives providing service to the general public or to a special clientele, such as students, scientists, staff, members:
- organization of a collection, whether specialized or not
- making catalogues
- lending and storage of books, maps, periodicals, films, records, tapes, works of art, etc.
- retrieval activities in order to comply with information requests, etc.

This class excludes:

- *renting of video tapes, see 71.40*
- *database activities, see 72.40*

92.52 Museums activities and preservation of historical sites and buildings

This class includes:

- operation of museums of all kinds:
- art museums, museums of jewellery, furniture, costumes, ceramics, silverware
- natural history, science and technological museums, historical museums, including military museums and historic houses
- other specialized museums
- open-air museums
- preservation or reconstruction of historical sites and buildings

92.53 Botanical and zoological gardens and nature reserves activities

This class includes:

- operation of botanical and zoological gardens, including children's zoos
- operation of nature reserves, including wildlife preservation etc.

92.71 Gambling and betting activities

This class also includes:

- sale of lottery tickets

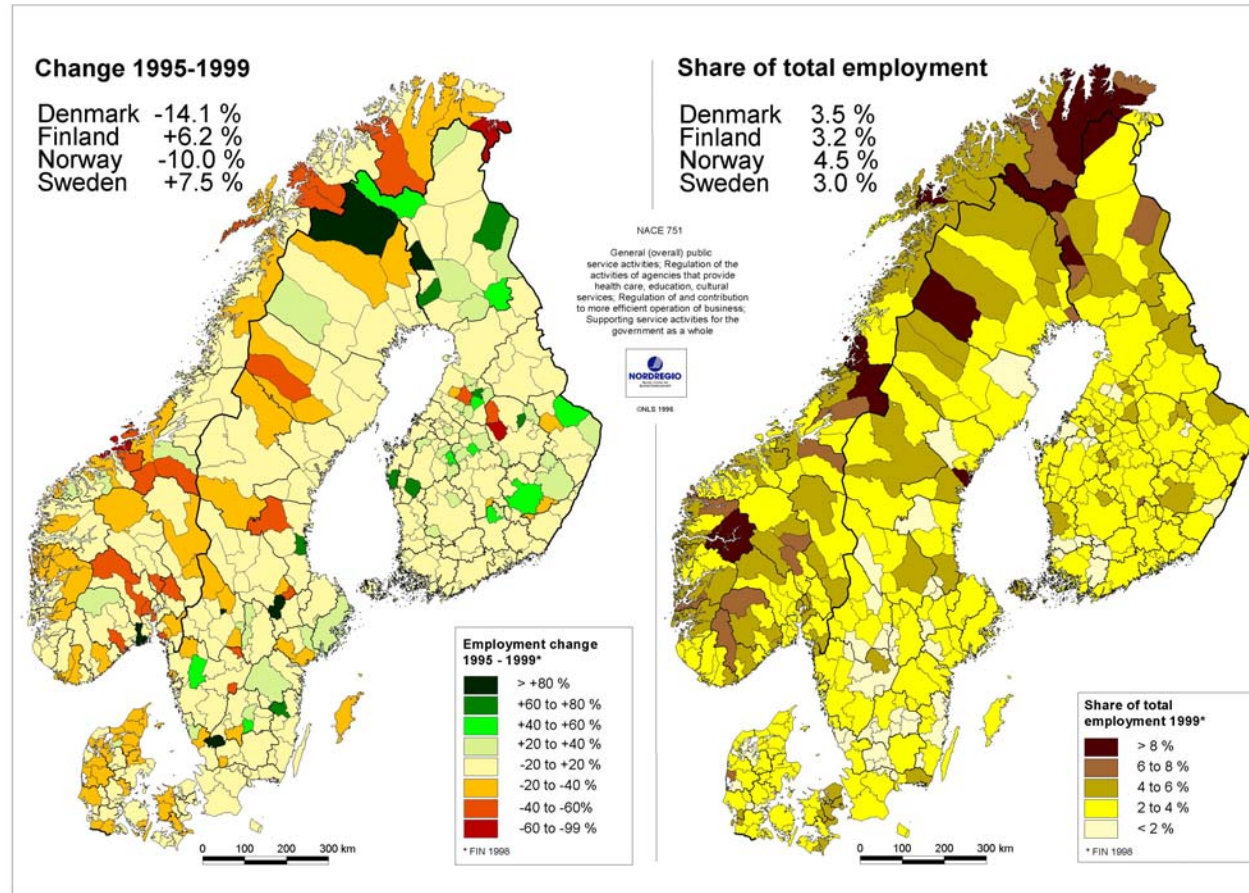


Figure 9: Administration of the State and the economic and social policy of the community 1999 (FIN 1998)

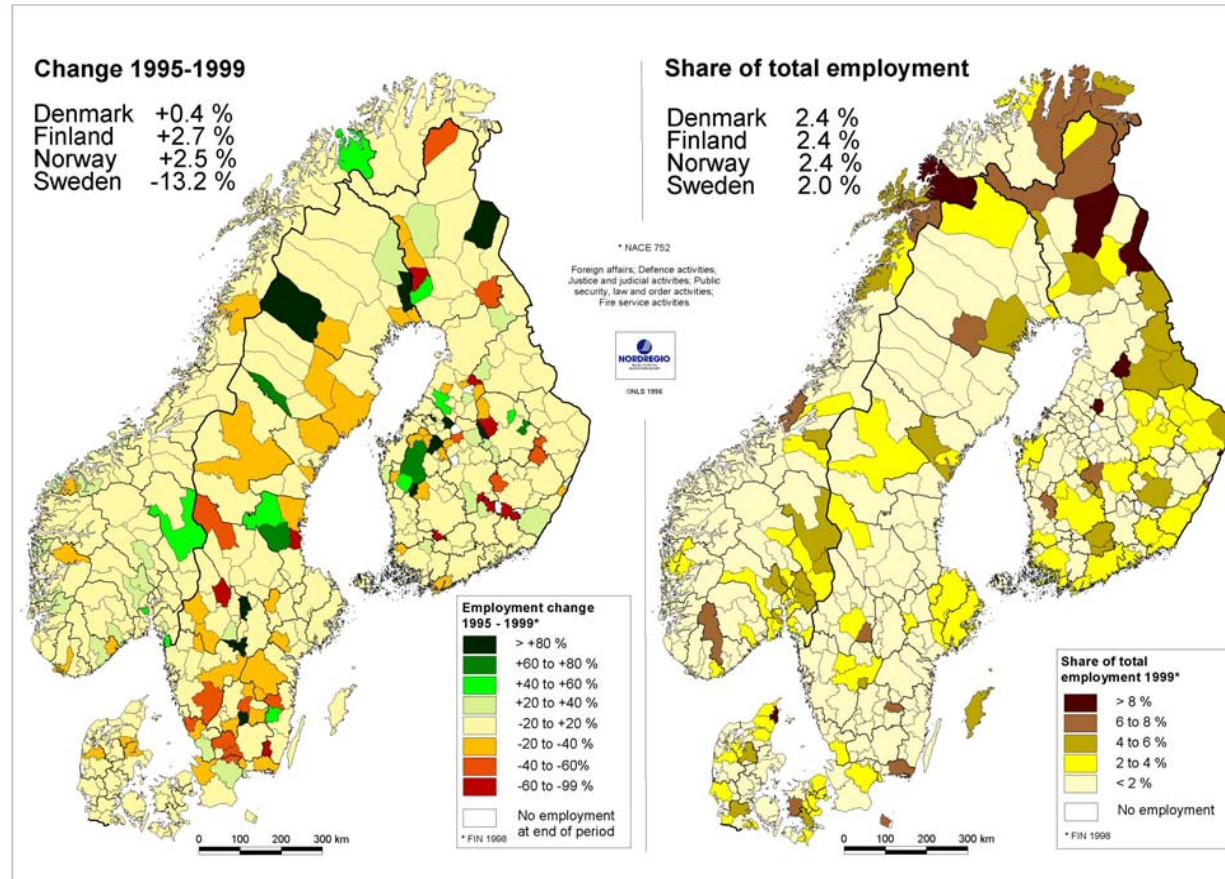


Figure 10: Provision of services to the community as a whole 1999 (FIN 1998)

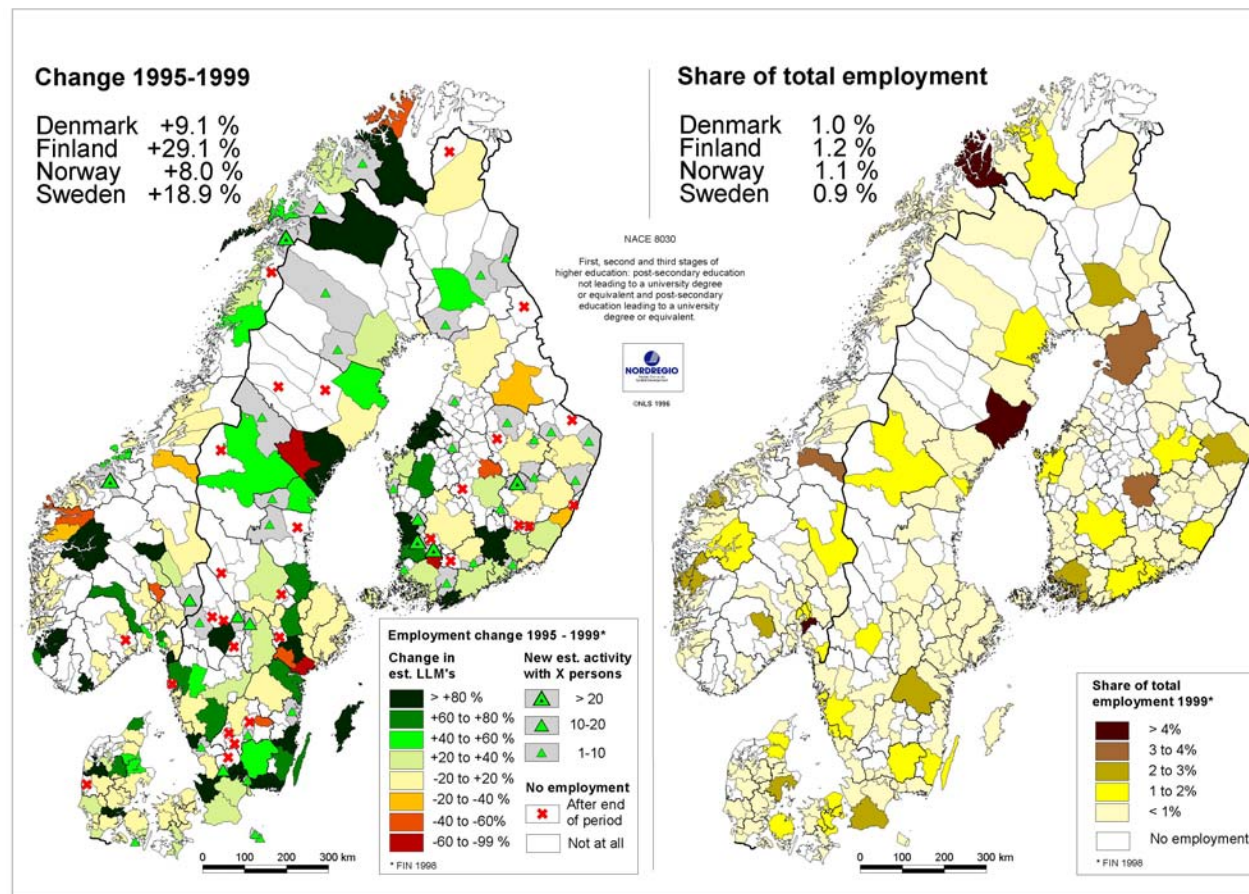


Figure 11: Higher education 1999 (FIN 1998)

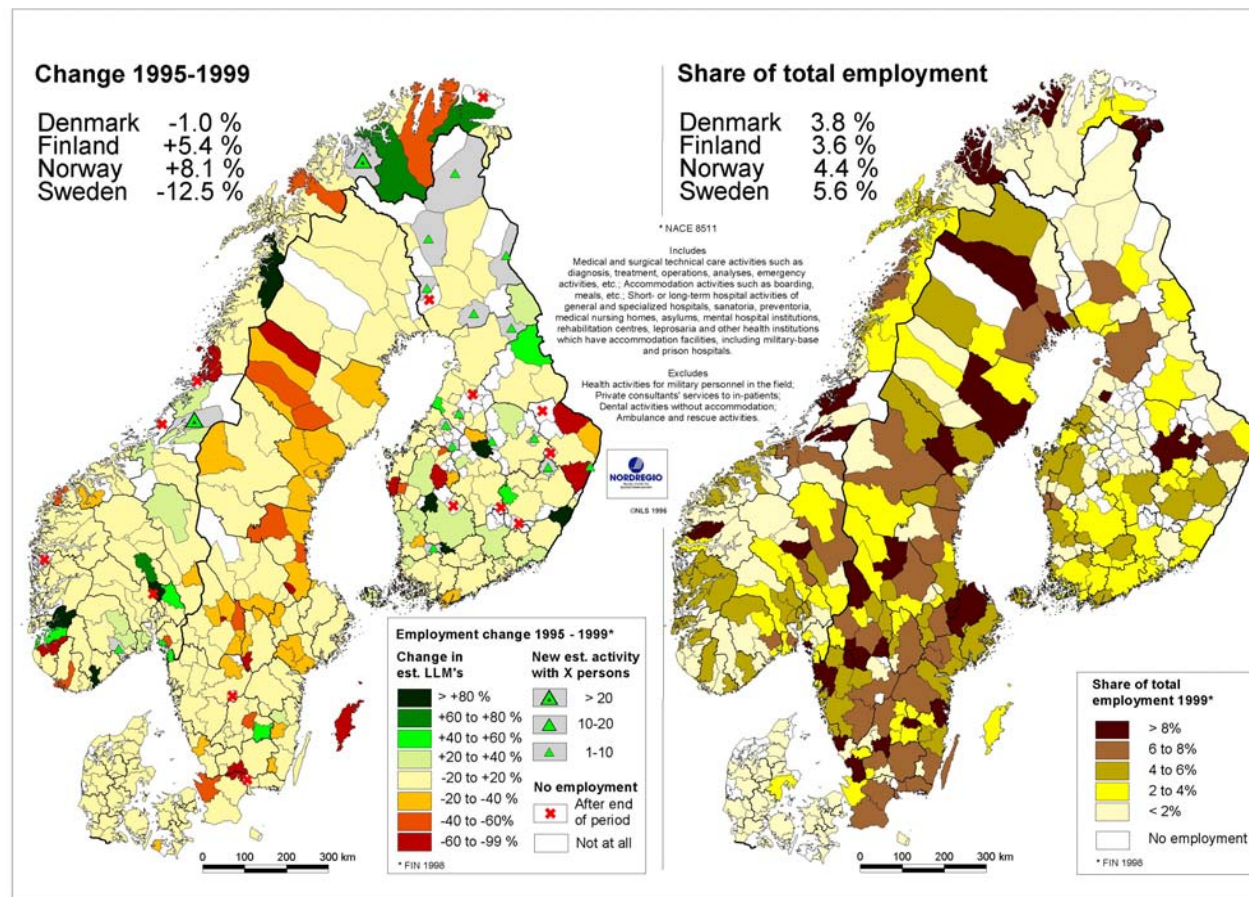


Figure 12: Hospital activities 1999 (FIN 1998)

	Capital LLM				Adm. Regional Centre LLM				Peripheral LLM				Other LLM			
	DK	FIN	NO	SE	DK	FIN	NO	SE	DK	FIN	NO	SE	DK	FIN	NO	SE
Total employment	37	30	27	24	37	33	33	46	2	12	15	3	25	25	25	27
All public industries below	47	37	34	27	34	36	35	51	1	9	13	2	18	18	18	20
Scheduled air transport	95	92	66	76	2	6	26	20	0	1	2	1	3	1	5	4
Administration of the State ²	48	38	29	28	30	30	32	49	2	12	18	3	21	20	21	20
Provision of services to the community as a whole	42	27	29	30	33	35	31	48	2	14	20	3	23	24	20	19
National post activities	43	30	32	29	36	37	33	45	1	11	14	3	19	22	21	23
Courier activities other than national post activities	52	49	35	28	23	35	47	50	0	5	2	2	25	11	15	20
Telecommunications	50	48	60	37	42	34	22	47	1	4	8	2	7	14	9	14
Central banking	100	88	64	100	0	11	22	0	0	0	2	0	0	0	12	0
R&D on natural sciences and engineering	69	58	44	34	25	24	42	59	0	5	3	0	6	12	10	7
R&D on social sciences and humanities	76	79	54	31	17	18	38	66	1	2	4	0	5	1	4	3
Technical testing and analysis	44	44	38	24	37	28	34	42	1	12	11	2	18	16	17	32
Labour recruitment and provision of personnel	55	43	49	24	34	33	34	48	1	9	5	4	11	15	13	24
Higher education	57	38	39	25	38	54	49	68	0	4	6	0	4	3	6	7
Hospital activities	39	27	27	18	38	43	41	53	1	9	11	3	21	21	21	25
Radio and television activities	67	72	56	61	25	22	29	32	1	2	7	1	6	4	8	7
Library and archives activities	46	29	26	25	33	37	30	46	1	13	20	4	19	21	24	25
Museums activities ³	52	45	32	38	26	33	34	44	2	8	18	3	20	14	17	16
Botanical and zoological gardens ⁴	24	92	1	11	28	8	78	14	1	0	12	3	47	0	9	72
Gambling and betting activities	66	42	34	35	25	37	40	51	0	6	6	0	9	14	21	14

¹ Denmark and Sweden November 1999, Finland week 52 1998, Norway 4th quarter 1999

² and the economic and social policy of the community

³ and preservation of historical sites and buildings

⁴ and nature reserves activities

Table 1: Employment in predominantly state sectors in four regional categories

	National				Capital LLM				Adm. Regional centre LLM				Peripheral LLM				Other LLM			
	DK	FIN	NO	SE	DK	FIN	NO	SE	DK	FIN	NO	SE	DK	FIN	NO	SE	DK	FIN	NO	SE
All public industries below	15.02	15.17	17.37	15.47	19.18	18.45	21.96	17.20	13.71	16.42	18.65	17.09	12.44	12.26	14.90	13.81	10.89	10.82	12.28	11.38
Scheduled air transport	0.31	0.30	0.57	0.18	0.79	0.90	1.40	0.58	0.01	0.06	0.46	0.08	0.00	0.02	0.08	0.05	0.04	0.01	0.12	0.03
Administration of the State ²	3.47	3.15	4.55	3.00	4.48	3.91	4.91	3.56	2.85	2.86	4.46	3.19	3.32	3.28	5.38	3.21	2.90	2.56	3.78	2.18
Provision of services to the community as a whole	2.39	2.35	2.38	1.96	2.69	2.11	2.59	2.50	2.16	2.49	2.24	2.05	3.57	2.87	3.12	1.85	2.22	2.23	1.90	1.35
National post activities	1.07	1.04	1.30	0.98	1.25	1.01	1.53	1.20	1.05	1.15	1.29	0.95	0.97	1.03	1.26	1.00	0.82	0.95	1.09	0.83
Courier activities other than national post activities	0.24	0.31	0.08	0.23	0.33	0.49	0.11	0.27	0.15	0.32	0.12	0.25	0.06	0.14	0.01	0.16	0.24	0.13	0.05	0.17
Telecommunications	0.70	0.76	0.60	0.63	0.94	1.20	1.34	0.97	0.80	0.78	0.40	0.64	0.25	0.26	0.33	0.43	0.21	0.43	0.22	0.31
Central banking	0.02	0.04	0.05	0.01	0.06	0.12	0.11	0.05	0.00	0.01	0.03	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.02	0.00
R&D on natural sciences and engineering	0.31	0.68	0.48	0.74	0.57	1.31	0.78	1.05	0.21	0.50	0.62	0.95	0.03	0.33	0.10	0.12	0.08	0.33	0.19	0.18
R&D on social sciences and humanities	0.04	0.05	0.07	0.07	0.09	0.12	0.14	0.10	0.02	0.02	0.08	0.11	0.04	0.01	0.02	0.00	0.01	0.00	0.01	0.01
Technical testing and analysis	0.23	0.19	0.29	0.18	0.28	0.27	0.40	0.18	0.23	0.16	0.30	0.17	0.13	0.20	0.22	0.11	0.17	0.12	0.19	0.21
Labour recruitment and provision of personnel	0.64	0.54	0.98	0.28	0.95	0.77	1.77	0.29	0.59	0.54	1.02	0.29	0.25	0.40	0.30	0.38	0.28	0.32	0.50	0.25
Higher education	1.03	1.24	1.06	0.91	1.61	1.56	1.55	0.96	1.07	2.04	1.58	1.33	0.02	0.44	0.40	0.06	0.19	0.16	0.25	0.23
Hospital activities	3.76	3.59	4.37	5.57	3.97	3.17	4.43	4.27	3.94	4.64	5.47	6.44	3.07	2.72	3.19	5.87	3.22	3.10	3.59	5.21
Radio and television activities	0.25	0.36	0.25	0.25	0.45	0.84	0.51	0.62	0.17	0.24	0.22	0.17	0.23	0.07	0.12	0.05	0.06	0.06	0.07	0.06
Library and archives activities	0.34	0.33	0.16	0.22	0.42	0.32	0.16	0.22	0.31	0.37	0.15	0.22	0.30	0.36	0.22	0.34	0.27	0.28	0.15	0.20
Museums activities ³	0.16	0.11	0.11	0.15	0.22	0.16	0.13	0.24	0.11	0.10	0.11	0.14	0.18	0.07	0.13	0.14	0.13	0.06	0.07	0.09
Botanical and zoological gardens ⁴	0.03	0.01	0.00	0.01	0.02	0.02	0.00	0.00	0.02	0.00	0.01	0.00	0.01	0.00	0.00	0.01	0.05	0.00	0.00	0.03
Gambling and betting activities	0.04	0.13	0.08	0.08	0.07	0.18	0.10	0.12	0.02	0.14	0.09	0.09	0.01	0.07	0.03	0.01	0.01	0.07	0.06	0.04

¹ Denmark and Sweden November 1999, Finland week 52 1998, Norway 3rd quarter 1999

² and the economic and social policy of the community

³ and preservation of historical sites and buildings

⁴ and nature reserves activities

Table 2: Employment in predominantly state sectors. Percent of total employment in four regional categories 1999

Nordregio

The Nordic Centre for Spatial Development

An Independent Centre for Research, Documentation and Information Dissemination

Established in July 1997 by the Nordic Council of Ministers on behalf of the governments of the five Nordic countries, Nordregio serves as an independent research centre on questions concerning spatial planning and regional development. Our staff come from all the Nordic countries, as well as from other European countries. Located in Stockholm, Sweden, the Centre applies a Nordic and comparative European perspective in its investigations, which include:

- ◆ initiating and carrying out research projects and analyses where the comparative perspective is central;
- ◆ offering internationally attractive educational programmes, where the sharing of experience provides new angles of approach to national issues and activities;
- ◆ disseminating experience and contributing to the professional discussion on spatial analyses, planning and policies.

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Nordregio grew out of the consolidation of three former Nordic institutions: *NordREFO* (The Nordic Institute for Regional Policy Research, established 1967), *Nordplan* (The Nordic Institute for Studies in Urban and Regional Planning, established 1968) and *NOGRAN* (The Nordic Group for Regional Analysis, established 1979).

The legacy of these institutions includes a widespread network of researchers and civil servants in all the Nordic countries as well as in Europe, a network which has been incorporated in Nordregio and upon whose experience Nordregio will continue to build.

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