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LOCAL AND REGIONAL RESTRUCTURING AND THE IMPACTS ON INDUSTRIAL DEVELOPMENT AND ATTRACTIVENESS
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Om notatserien
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Abstract
From time to time local and regional communities experience major changes in their situation which create needs for help that cannot be satisfied over the ordinary local and regional public sector budgets. For these situations Norway has a national restructuring program with the purpose to give extraordinary help to these local and regional communities, and to support them in their process of restructuring the local and regional industry. The counties now have the administrative responsibility for the program and Innovation Norway as a development agency is the operator of the program in close collaboration with the counties and the municipalities.

In this paper I want to discern how the regional and local communities which have taken part or are now taking part in the restructuring program, are able to compete with other regions and communities. In addition I will study some cases and discuss to what extent part taking in the restructuring program have improved the communities’ basis for industrial development and attractiveness compared with the region they are part of. I shall use the indexes made by Telemarksforsking for the Confederation of Norwegian Enterprise. The indexes are set up each year for all of the 430 municipalities in the country and for 83 functional defined regions.

Economic competitiveness and social cohesion
Territories such as cities, regions and municipalities can be considered competing actors on the global scene. They operate in a regime of “absolute advantage” and not “comparative advantage, meaning that they can be put out of business if their efficiency and competitiveness are lower than that of other territories (Camagni, 2002). Territories have become competitors for public investment, subsidies, events, shoppers, tourists and residents, and it is expected that citizen and communities will take more responsibility for their own welfare and the local policy process that shape their lives and places. Territories need to perform well regarding both industrial development and attractiveness in order to become winners. But is it possible for a region to foster industrial development and competitiveness and the same time as they are attractive and have a strong social cohesion? OECD expects that there are close links between social and economic development, such that policies to support social cohesion may also increase investment attractiveness and business competitiveness (OECD, 2001).

Vranken (2008) discuss to what extent economic competitiveness and social cohesion can be combined and lead to win-win result, and he reflects on the content of urban policies that are needed. Is cohesion a condition for competitiveness or does competitiveness (if not directly, then through its main results, which is economic growth) constitute the necessary context of social cohesion? He finds no empirical evidence regarding the relation between competitiveness and cohesion, but he presents some argument in the debate. He concludes his discussion that if certain conditions are met, competitiveness can be combined with cohesion. The attractiveness of cities may also be enhanced through a higher quality and improved complementarities of its spatial organisation, through more efficient and accessible public services, through the stimulating of local networks, through integrating economic, social, cultural and spatial objectives, through guaranteeing the effective participation of citizens in the development of a city vision and strategies to realise it. New forms of governance are needed to meet these conditions and promote cohesion without increasing executions, stimulating innovation without marginalising low-skill labour, organising new
forms of socialisation and social control without impeding on individual freedom, and using the city’s diversity to develop new forms of solidarity (Vranken, 2008:37).

Measuring competitiveness and cohesion in Norway

One behalf of the NHO, Vareide (2010) has since 2001 made rankings of Norwegian municipalities and regions based on selected indicators:

- The industrial development index combines four indicators like profitability, growth in economical turnover, new business startups and the size of the industry.
- The attractiveness index uses indicators like the increase of new jobs and domestic migration for families with children and young adults and for immigrants. The intention is to measure the increase of people taking residence in the municipalities and the regions that are not caused by the new job creation.
- Competition capability. The third ranking is a combination of the two other and expresses how well regions and municipalities compete with other regions and municipalities. This index was constructed for the first time in 2008.

Vareide (2010:26) writes that the overall pattern of the rankings is like this:

- The eastern part of the country with Oslo, the capital, has mainly regions that score well both on industrial development and attractiveness, some have strong attractiveness but weak industrial development, and there some rural regions that score low on both development and attractiveness. This part of Norway has a population driven growth and will with its attractiveness continue to grow.
- The western part of the country, which has much of the oil related activity, has mainly coastal regions that score well on both industrial development and attractiveness, but has also regions that score high on industrial development and very low on attractiveness. In addition there are some inland regions that score low on both. This part of the country has an industrial driven growth and can face great problems if the economic growth and the demand for export products decline.
- The southern part, the middle part and the northern part of the country have a mix of all type of regions and there is no distinct pattern.

Restructuring policy and program in Norway

The purpose Norwegian national restructuring program is to give extraordinary help to local and regional communities, and to support them in their process of restructuring the local and regional industry. The counties have now the administrative responsibility for the program and Innovation Norway as a national development agency is the operator of the program in close collaboration with the counties and the municipalities. Innovation Norway has also the function as competence centre for the restructuring work and has the role as facilitator, adviser and quality controller in each case.

The regional restructuring intervention last up to six years and is meant to help areas where corner stone industries are reducing their activity with massive loss of jobs, and areas with long time challenges linked to restructuring their industries. In order to become a part of the program and get the extraordinary support, the direct reduction of the employment during the last three years at the local main factory/industry must be major, and the reduction must be at least 15 percent of the
municipality’s total employment. In numbers the loss must be 150 employees as a minimum. In the total evaluation of the situation the indirect reduction of employment, the unemployment rate, and the possibility to commute within the region shall also be taken into consideration. In addition the size of the public welfare money budget, the municipality budget and the local and regional work force can be taken into consideration.

The overall goal for the regional restructuring program and for the program’s intervention in the local and regional development is to strengthen the basis for industrial development through creating new jobs and increased value adding so the community gets a more robust and varied industrial structure with job opportunities for both men and women. In addition the intervention shall increase the local industrial development capacity, and the intervention shall be based on a comprehensive approach.

Since 1983 when the program was established, 83 restructuring projects have been completed, and by the end of 2008 there were 32 active projects. Many of the projects have been evaluated, and a main conclusion is that the projects have succeeded more in creating conditions for industrial development than in creating new jobs (Drangsland and Jacobsen 2009). However, based on the existing evaluations, it is not possible to tell to what degree the local and regional conditions for industrial development are improved.

When I look at more recent completed project I find 43 municipalities spread all over the country. In the period from 2001–2008 the average ranking of these municipalities on the industrial development index are down 0,5 numbers. This in contrast to the ranking on the attractiveness index, the municipalities have in average improved their ranking with 20 on the scale from 1 to 430. This is maybe not impressive, but if the restructuring program has an impact, it seems to be on the attractiveness and not industrial development. However, this finding has to be studied more carefully. There are big differences between the municipalities. There are municipalities that have improved their industrial development ranking with over 100 numbers, and at the same time there are municipalities that fallen with over 100 numbers on the same ranking. On the attractiveness ranking the picture are even more different. There are several municipalities that have moved over 200 numbers closer to the top of the ranking. On the opposite, there are one municipality that are down from number 81 to 342, and several municipalities that are down between 100 and 200 numbers.

In order to understand and explain these differences, we have to take into account the overall development of their region and in what part of the country they are situated. I have already written that there are great differences between the eastern, western and northern parts of the county, and even between the regions within the parts of the country. In addition many of the municipalities are small. Therefore the restructuring potential of the municipalities are highly depend on the industrial development and the attractiveness of their region. In the following text I shall present and discuss some illustrative cases that have taken part in the program. Hopefully this can make a better understanding of the restructuring program, the impact of the intervention and the local and regional development potential.

However, I am aware of that the restructuring program is only one of several interventions in the municipality when local crises occur, and there are always forces and counter forces in the municipality and in the context that influence the restructuring work. I am not able to isolate the
impact of the restructuring program from the impact of other programs and forces. However my study is not an impact analysis of the restructuring program, but a study of what happens in municipalities that experience a crisis in their local industrial development and are lucky to get support from the restructuring program. Are they able to come up with new industry, and are they able to increase their attractiveness? Are they able to compete with other regions or are they just getting more marginalised, deprived and dependent of more support from the state in order to survive as local community?

**Five selected cases**

**Våler municipality – restructuring status 2002–2008**

Våler municipality got the restructuring status because of the close down of Haslemoen military camp and the loss of 260 jobs and the loss of demand from the military activity for local products and services. The total cost of the restructuring project was 24, 85 million NOK, mostly financed from The Norwegian Armed Forces. The program was implemented by a regional development agency organised as a share holding company with the municipality and the local industry as share holders. Innovation Norway, the county and local mayor were observers in the board. All the activities in the program was organised as projects. The program reports that they created 126 new jobs and secured existing jobs. In addition the project has stimulated collaboration, network and contacts in the local industry. The program did not succeed in their acquisition strategy and got no new lasting firm to the municipality (Innovation Norway, 2010).

Våler municipality is situated in the eastern part of the country and make together with Elverum and Åmot municipalities a labour region with almost 30000 inhabitants. The number of inhabitants in this region has increased with 4.9 percent the last 10 years. Elverum with almost 14000 inhabitants is the centre of the region (KRD, 2009).

Vareide (2009) includes Våler in the Glåmdalen region. This region consists of Nord-Odal, Eidskog, Grue, Åsnes, Våler, Sør-Odal and Kongsvinger. This region is ranked very low on industrial development, and is now number 73 out of 83 and are down 7 numbers from 2003 to 2008. But the same region is ranked almost at the top when it comes to attractiveness. It is number 8 out of 83 regions, and has moved 5 numbers up during the referred period.

The industrial development ranking of the municipality is significant changed from close to the bottom in 2003 (308 out of 430) to number 211 in 2008. The attractiveness ranking is good and up 2 numbers and the municipality is now number 81 out of 430.

The region represents the regions in the eastern part of Norway that scores low on industrial development but high on attractiveness due to the high activity rate in and around Oslo the capital of Norway. It has become popular to live in the region and commute to the Oslo area. However the Våler municipality has gained a much strong position on the industrial development index during the restructuring program (up 97 numbers). An evaluation research report made by Pettersen (2009:69) mentions one impact of the program which may explain parts of this improvement. The program succeeded in creating a more positive attitude in the industry and in the community. The industry has become more confident and opportunity oriented, and Våler municipality has gained a more positive image.
Evje and Hornnes municipality – restructuring status 2002–2007
Evje and Hornnes municipality got restructuring funding because of the shutdown of the military activity at Evjemoen. This close down represented the loss of 187 jobs directly and 27 indirectly. The other industry in the municipality was closely linked to the military activity. The total funding was 52 million NOK, most of the millions came from the national state. A hundred percent municipality owned shareholding company was in charge of the restructuring program. Innovation Norway, a regional development agency and the county had observers in the board of the program.

According to Innovation Norway (2010) the program created 138 new jobs and supported the creation of altogether 162 jobs. In addition the program has made the local industry more competitive and innovative, has created more collaboration and enhanced the project management competence in the community. The program did not succeed in the acquisition strategy to get external company to establish activity and production in the municipalities. The restructuring work continued after the end of the program, but with a regional development agency with stronger participation from the local industries.

Evje and Hornnes make together with Bygland a labour region. This region has close to 5000 inhabitants and Evje is the centre with almost half of that population. This region has lost 0,9 percent of the population the last 10 years (KRD, 2009).

Vareide (2010) operates with a bigger region and adds Valle and Bykle municipalities. These five municipalities are commonly named as the valley of Setesdal. The region is in the period from 2003 to 2008 down 7 numbers on the industrial development index, and is now ranked as number 60 out of 83 regions. The attractiveness has increased and the region is now ranked as number 38 (up 31 numbers from 2003). Evje and Hornnes municipality has in the same period climbed from number 100 to number 48 out of 430 on the industrial development index, and from 221 to 153 on attractiveness index.

The municipality and the region have both increased their attractiveness during the period, and Evje and Hornnes municipality has also increased its industrial development during the period (up 52 numbers) while the region has declined. In a research report Pettersen et al. (2008) evaluates the restructuring program in Evje and Hornnes as a positive intervention, because it has created new jobs, made the local industry more competitive and diversified, stimulated collaboration and innovation, and enhanced the local project steering competence.

Årdal municipality – restructuring status 2004–2008
Årdal is a single industry town with alumina as the main production. The factory is owned by Hydro which now has been merged with the Norwegian oil company Statoil. Årdal got restructuring status when Hydro made a strategic decision about not to modernise one part of the factory and to make the production of other part more efficient. The consequence was a direct loss of 500 jobs and a huge negative impact on the community like less local spending and reduced need for local suppliers. The municipality got 73,7 million NOK, most of it from the national state. In addition Hydro spent more than 10 million NOK on investment, projects and companies.

The restructuring work was lead by the municipality, and three companies and agencies were established. One company should generate new activity from Hydro related production, another
company should try to establish new big industrial activity, and the third company, Årdal Growth should have the focus on developing new local industry.

The overall goal become to utilise the local competitive advantages of Årdal and acquisition become the main strategy. Årdal should by 2010 have 3000 persons with their place of work within the community, and the municipality should have 6000 inhabitants. According to Innovation Norway (2010) these goals are achieved and the program created 365 jobs and the number can be 550 before the end of 2010. The restructuring of Årdal is regarded as a success.

Årdal and Lærdal municipalities form a labour region with 7800 inhabitants. In this region the population is reduces with 2,8 percent the last ten years. Øvre Årdal is the centre of this region.

Årdal municipality is situated at the end of the longest fjord in Norway, and more than 200 kilometres from the coast. Vareide (2010) includes the nine municipalities along this fjord system in his region called Sogn. This region was in 2008 ranked as 64 out of 83 on industrial development (down 8 from 2003), and ranked as 61 on attractiveness (down 10 from 2003). The industrial development and attractiveness have been fairly stable during the period.

The ranking of Årdal municipality is slightly different from the ranking of the region. The municipality is now ranked as number 59 out of 430 on industrial development (down 2 from 2003), but as number 263 out of 430 on attractiveness (up 42 from 2003). During the period of restructuring the municipality has managed to keep its position on industrial development, but has increased its position on attractiveness compared to the whole region.

The restructuring program in Årdal has been demanding, but the process is in an evaluation report characterised as a success (Johansen 2008). The municipality succeeded both in their strategy for acquisition and for developing the local industry. The municipality now appears as more open with a local industry with more competence and with a more diversified structure. The inhabitants are more optimistic and have learned that restructuring and innovation can become a success. The challenge has changed from creating jobs to getting workers.

Verdal municipality got restructuring status because of the downsizing of the local ship and platform building industry (Aker Verdal). In addition the Verdal community had a bad image, had a high crime rate, and had a bad local milieu for children and young people like many other old industrial communities. From 2005 the restructuring program included the neighbour municipality Levanger, and the shareholding company Innherred Growth got the responsibility for implementing the program. Innovation Norway and North Trøndelag County were observers in the board. The total funding of the restructuring intervention was 63 million NOK. One half came from the national state and the other half from local and regional authorities.

At the end of the restructuring program there was created and secured about 250 jobs, but about 70 projects were still active, so there was a potential increase in this number of jobs. Innovation Norway (2010) reports that the living conditions have become better, the culture more vibrant, and the local industry has become more change oriented.
Verdal and Levanger form a labour region with around 35000 inhabitants, and has experienced a 4,5 percent population growth the last 10 years. Levanger is the centre with almost 9000 inhabitants (KRD, 2009).

Vareide (2010) includes Verdal, Levanger, Steinkjer, Verran and Bindery municipality the Innherred region. This region is now ranked as number 59 out of 83 on industrial development (down 27 from 2003) and as number 34 on attractiveness (up 7 from 2003). In the same period the Verdal municipality has dropped from number 13 to 88 out of 430 on industrial development, but has climbed from number 276 to 177 on attractiveness. Levanger is now number 198 (down 71) on industrial development and 193 (up 1) on attractiveness.

This region is in the middle part of Norway and represents regions that struggle with their industrial development. But this region seems to become more attractive, and the Verdal municipality more attractive than the rest of the region. In addition, Finne et al (2008) in their evaluation report write that the local industry has become more development oriented, and the living conditions are improved and the culture activities are enforced. So far the intervention seems to be a success, but the great challenge will be the next time one of the local corner stone factories have to downsize.

**Ballangen municipality – restructuring status 1999–2005**

This municipality got the restructuring status because of the uncertain future the municipality faced when it became known that the mining industry (nickel and olivine) was to be closed down in 2000. They expected a loss of 123 jobs directly and about 30 other jobs were indirectly affected and at risk.

The restructuring process was supported with 24 million NOK, one half from the nation state and the other half from the Nordland County. The program was organised as a shareholding company with Innovation Norway, Nordland County, the local mayor and the administrative leader of the municipality organisation as observers. The main goal was to stop the reduction of the population and create new jobs. According to Innovation Norway (2010) the municipality succeeded in stabilising the number of inhabitants and managed to create over 100 jobs. In addition, they succeeded to save 25 of the 30 jobs that were at risk.

Ballangen together with Narvik, Evenes and Gratangen is a labour region with 23500 inhabitants and with Narvik as the centre (14000 inhabitants). This region has had a 3 percent reduction in population the last ten years (KRD, 2009).

Vareide (2010) includes Ballangen with Narvik, Evenes, Tysfjord and Tjeldsund in the Ofoten region. This region was in 2008 ranked close to the bottom of 83 the regions as number 62 on industrial development and 78 on attractiveness. Since 2003 the region is down 12 numbers on industrial development and down 23 on attractiveness. Ballangen municipality shows almost the same development as the region. It is now ranked as number 381 out of 430 on industrial development (down 31) and number 295 on attractiveness (down 115), and is ranked as number 375 out of 430 on the competitive index.

Ballangen municipality is situated in the northern part of Norway. In this part of the country there are national winners and losers among the municipalities and the regions. There is no distinct pattern in the industrial development and attractiveness index (Vareide, 2009). Ballangen is a loser and the restructuring intervention seems to have little impact on the local development. The development in...
the municipality differs little from the development in the region (Wiseth, 2006). The external negative structuring forces are much too strong to be matched with this restructuring program, even though the intervention succeeded in reaching the goal about new jobs and about stabilising the population.

Discussion
This is not an impact analysis of the restructuring program in Norway, but a study of how municipalities that have got support from the program perform on an industrial development and an attractiveness index during and shortly after the intervention. The restructuring programs is part of the cohesion policy in Norway aimed at even out the differences between the municipalities and especially help municipalities in an extraordinaire bad situation. The main question is then, does this cohesion policy increase or decrease the absolute competitiveness of the supported municipality?

I regard these indexes as an expression of their competitiveness compared to other municipalities. The supported municipalities get extraordinary help because of a downsizing of the local industry, so if they perform equal or better than other municipality, the restructuring intervention must be regarded a success.

About 10 percent of the municipalities in Norway have got support from the program between 2000 and 2008. On average the municipalities are ranked a little bit lower on the industrial development index at the end of the period, but their attractiveness is on average significant increased. When I examine five cases that are typical for the restructuring municipalities, I find that four municipalities and their regions are ranked lower on the industrial development index after the intervention. However, two municipalities have improved their ranking on the industrial development index even though their regions are down several numbers on the ranking. The attractiveness of the municipalities are improved a lot, and for some of the municipalities, a lot more than their regions. There is one exception among my cases, the municipality in the northern part of Norway has lost attractiveness, and so has the region, and this is a region ranked almost at the bottom of all the three indexes (see table 1).
Table 1: Ranking on the competition indexes in 2008 and with changes from 2003.

<table>
<thead>
<tr>
<th>Supported municipalities</th>
<th>Industrial development index</th>
<th>Attractive index</th>
<th>Competitive index</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Våler municipality</td>
<td>211, up 103</td>
<td>81, up 2</td>
<td>122</td>
<td>430</td>
</tr>
<tr>
<td>The region</td>
<td>73, down 7</td>
<td>8, up 5</td>
<td>38</td>
<td>83</td>
</tr>
<tr>
<td>Evje and Hornnes municipality</td>
<td>48, up 52</td>
<td>153, up 68</td>
<td>53</td>
<td>430</td>
</tr>
<tr>
<td>The region</td>
<td>60, down 7</td>
<td>38, up 31</td>
<td>57</td>
<td>83</td>
</tr>
<tr>
<td>Årdal municipality</td>
<td>59, down 2</td>
<td>263, up 42</td>
<td>140</td>
<td>430</td>
</tr>
<tr>
<td>The region</td>
<td>64, down 8</td>
<td>61, down 10</td>
<td>66</td>
<td>83</td>
</tr>
<tr>
<td>Verdal municipality</td>
<td>88, down 75</td>
<td>177, up 99</td>
<td>102</td>
<td>430</td>
</tr>
<tr>
<td>Levanger municipality</td>
<td>198, down 71</td>
<td>193, up 1</td>
<td>193</td>
<td>430</td>
</tr>
<tr>
<td>The region</td>
<td>59, down 27</td>
<td>34, up 7</td>
<td>50</td>
<td>83</td>
</tr>
<tr>
<td>Ballangen municipality</td>
<td>381, down 31</td>
<td>295, down 115</td>
<td>375</td>
<td>430</td>
</tr>
<tr>
<td>The region</td>
<td>62, down 12</td>
<td>78, down 23</td>
<td>71</td>
<td>83</td>
</tr>
</tbody>
</table>

Source: Based on Vareide (2010)

In all the municipalities the restructuring work has been organised as governance structures, and usually this is a partnership between public and private sector in the form of a shareholding company. In all the evaluation reports from the selected cases above, the authors write about conflict between the municipalities and the organisations that are established to implement the restructuring program in the different municipalities. In every case there has been a need for sorting out the responsibility for the planning and development work between the municipality council and administration, and the program and its activities. We have supplemented these reports with an indebt study of the governance structure in Vanylven municipality (Amdam and Tangen, 2008).
Vanylven is a small and remote municipality in the western part of the county which has lost a lot of the employment within mine industry and in ship building. The municipality got restructuring status 2004–2010 and this is prolonged to 2014. When the municipality got the funding from the program, Vanylven Growth was established. This organisation is formally a municipality enterprise which is defined and regulated as such through the Local government act. This partnership has a board with representatives from the municipality and the local industry. The county and Innovation Norway have observers in the board. The municipality council is the general meeting of the enterprise. The purpose of the partnership is to support existing industry and stimulate new industry, improve communication infrastructure and the living conditions. Activities within entrepreneurship and competence have had focus up till now. Our informants from the municipality, especially the politicians, say that the partnership has taken important political issues from the political arena, and that the elected politicians need to have more control over the agenda of Vanylven Growth. The representatives from private sector seem to be satisfied with the situation and the outcome of the partnership.

The main problem with this partnership is linked to the role of being a development agency with responsibility for the broad mission of developing the municipality as a community, while the power to do the municipality planning still is in the hand of the municipality. If the strategic and tactical planning in the municipality had given the partnership a clear political mandate, the partnership could focus on implementation at the operative level of the decided policy of the municipality. Instead the partnership has to make strategical and tactical planning themselves, and the partnership end up in a situation with conflicts with the municipality council which experiences that the partnership is reducing the power of the council.

The conflict in Vanylven seems to be of the same kind as reported from the other cases. In general there is a need for clarifying the roles between the municipality and the restructuring program in all the cases. It is a prerequisite that the intervention supported from the program shall be based on a comprehensive approach, which usually means a planning and development approach. But when the program involves themselves in the municipal planning and development work, which the municipality council is responsible for, it is quite natural that the local politicians react on the local democratical deficit and loss of political power.

**Conclusion**

My conclusion is that the national restructuring program as a cohesion policy and as an intervention strategy on average is able to stabilise the industrial development in the supported municipalities and to improve the attractiveness of the municipalities. Thus, the cohesion policy represented with the restructuring program is able to make the supported municipalities more competitive, but there is in general a need for clarifying the roles of the municipality and local program organisation. The program normally succeeds in creating new jobs and a more positive attitude in the industry and in the community. The industry becomes more competent, confident and opportunity oriented, the structure more diversified, and the municipalities get a more positive image. The inhabitants are more optimistic and they learn that restructuring and innovation can become a success. However, if the municipalities and the region are both in strong decline, the intervention does not seem to improve the competitiveness of the municipality.
References


