



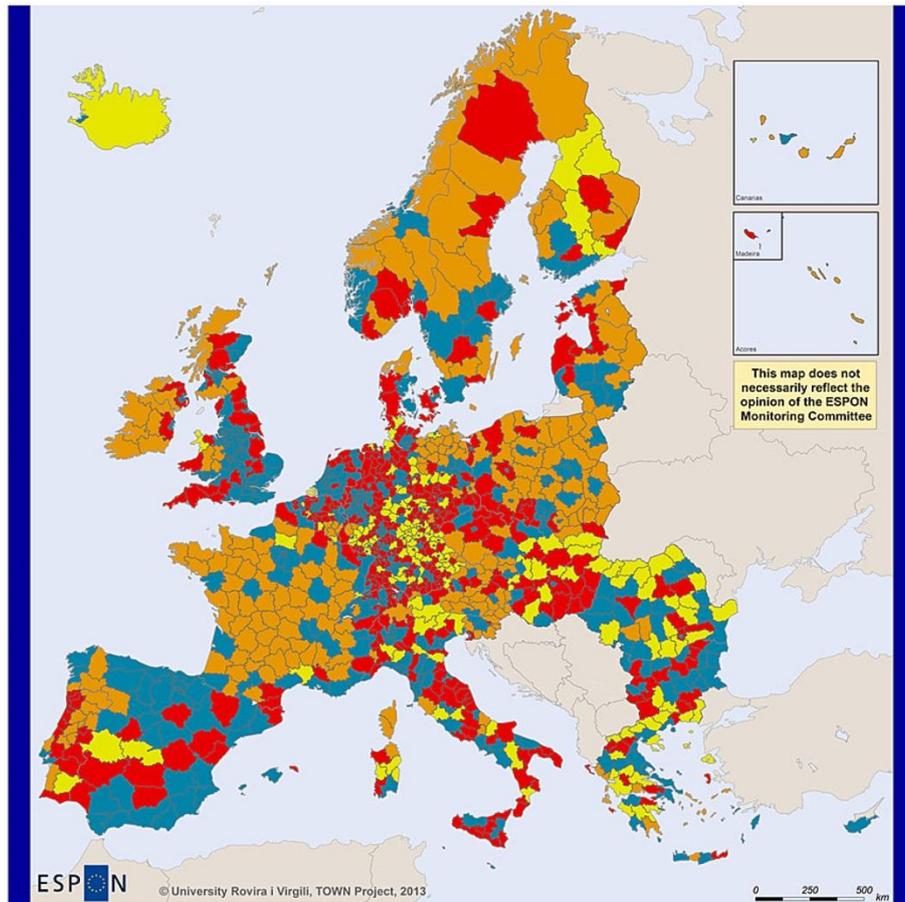
Western Europe

Hidden potential of Small and Medium Sized Towns

What are small and medium sized towns?

More than 87% of EU 27 (plus ESPON Partner States) population lives in urban areas, which indicates the urban shift in the population. There are 850 larger cities, 8,414 small and medium sized towns and more than 69,000 very small towns. Almost half of the urban population lives in larger cities (46.3%), while 24.2% in small and medium sized towns and 19% in very small towns. The size of urban settlements plays an important role within the wider regional and functional context, hence towns can make an important contribution in supporting EU strategic policies and for the achievement of territorial cohesion. According to the morphologic definition, small and medium sized towns (SMSTs) have a population density between 300 and 1,500 inhabitants/km² and/or between 50,000 and 5,000 inhabitants, whereas very small towns have population density above the threshold of 300 inhabitants/km² but without reaching the minimum population threshold of 5,000 inhabitants.

Map 1. Prevailing population settlement type (TOWN)



- Prevailing population settlement type**
- High Density Urban Clusters as the prevailing type of population settlement
 - Small and Medium Towns as the prevailing type of population settlement
 - Very Small Towns as the prevailing type of population settlement
 - Other population settlements as prevailing type



European trends

There is a 'bundle of characteristics' by which towns are different from cities, including:

- The industry sector has a greater proportion of employment, while the service sector has a smaller proportion of employment;
- A significantly smaller proportion of jobs in private and public services in comparison to larger cities;
- A higher economic activity rate;
- A higher proportion of pensionable adults and more children;
- A lower proportion of working age adults with a degree;
- Employment in the retail sector is significantly lower than in larger cities;
- SMSTs have a lower proportion of people who live and work in them than larger cities that are located in the same regions and countries;
- Unemployment rates in SMSTs tend to be lower than for larger cities;
- A higher proportion of school age children;
- Higher shares of secondary or holiday homes.

Diversity and size matter

Despite some common characteristics, SMSTs show a diverse range of economic profiles. At the same time, size matters for SMSTs when it comes to economic diversity. As towns get larger, their employment profiles tend to become more diverse relative to economic sectors. Smaller towns tend to have more specialised employment profiles.

The capacity to create jobs, to provide services, to attract new populations and to engage in inter-territorial and innovation networks is not only derived from a town's geographic proximity to large cities. The socio-economic composition and the value of a town within wider spatial divisions of labour is an important distinguishing characteristic of smaller settlements. At the same time, the size of the working population is often related to specialisation in some activities (manufacturing, tourism, etc.), and the town's fortunes are ultimately linked to economic and social change at regional, national or even international level. It is reasonable to assume

that the socio-economic performance of a town can be related to a range of factors which are a combination of:

- geographic position;
- macro/regional trends;
- socio-economic specialisation;
- historical development;
- ways in which these are understood by policy actors (i.e. their 'policy frames').

Types of small and medium sized towns

The evidence from the ESPON TOWN project suggests that the profile of employment across European towns had changed over the past 10 years; to varying degrees at least a third of them have undergone a process of structural change in their local economy. However, only a few of these towns in this study were deliberately attempting to develop a new strategy for local growth and seeking to bring about change in their local economic profile.

It is possible to identify at least three types of SMST according to the economic profile:

- **'Restructuring industry'** – A large number of small and medium sized towns in Europe have a predominantly productive profile. Most of these towns have retained their productive base and the production of traded goods and services is still strategically important. On the other hand, a high number of regions with a low degree of urbanisation are characterised by industrial branches losing importance, supporting the claim that fragile local economies require proactive support of their economic base.
- **'Residential economy'** – This type of local economy mainly relies on activities and services related to local population needs and demand (housing, public services, etc.). Residential economies may be considered as the key driver of socioeconomic dynamics in various countries (Belgium, France, Germany, UK), especially in those regions benefiting from tourist activities and those in the proximity of urban regions. In the current

period of economic crisis, the residential economy may represent a stabilizing factor for towns since it allows them to 'capture' income, and the jobs generated are not directly exposed to global competition, as services to the population and residential consumption are still complementary drivers to the general economy.

- **'Knowledge-based economy'** – In this type, the local economy is either related to residential or external demand, but at least partly based on knowledge, innovation and creative activities, such as higher education, design etc. These types

of towns introduce strategic initiatives to bring about favourable conditions for the creative economy (i.e. subsidies or tax incentives) or to foster a high level of quality of place (education provision, small entrepreneurial milieu atmosphere, place amenities etc) which has attracted a 'creative' population and associated investments. However, it is unlikely that in such towns the creative and knowledge-based profile can fully replace more 'traditional' residential and productive profiles, or become the dominant profile.

Networking capacity determines performance of SMSTs in Western Europe

Within Western Europe, Belgium and the UK have a prevalence of urbanized populations clustered in high-density urban centres, whilst in Ireland and Luxembourg an 'overrepresentation' of the population lives in smaller settlements. However, within Western European countries, SMSTs are still the prevailing population settlement stype in several regions. Important clusters of SMSTs can be found on the Atlantic coasts of the UK, Ireland and Belgium (see Map 1).

There is evidence of macro and meso regional 'path dependency' (current practices based on historical patterns) that can be seen both in wealthier Western and Northern areas of Europe as well as in Central and Eastern Europe. A general divergence in performances of regions characterised by smaller settlements in remote areas and those close to metropolitan areas or urban regions is observed in this macroregion. While the former tend to exhibit negative trends, the latter are characterized by better performances.

The TOWN project developed a detailed database of SMSTs in several countries and regions including Flanders in Belgium and Wales in the

UK. In both Flanders and Wales, over 80% of the small areal units (Lower Super Output Areas in Wales and municipalities in Belgium) are associated with at least one larger settlement (SMSTs and 'High Density Urban Clusters'), which contrasts with other regions in Europe where this is less than 10%. In both Belgium and Wales many local authorities typically incorporate more than one small town.

There are also differences between Flanders and Wales. Flanders has high levels of urbanisation with large centres, high settlement and population densities, and excellent accessibility. This contrasts with Wales which is much more rural and had lower levels of accessibility, with the exception of South Wales which is more densely populated. Although Belgium is a state with powerful regions, there is no evidence that Flanders has developed a regional approach to SMSTs. By contrast, Wales (part of a unitary state with some decentralisation) is one of the TOWN case studies which shows evidence of a regional approach to SMSTs. This involved defining an 'urban hierarchy' in which certain SMSTs were designated as sites for employment, housing, services and retail in the particular sub-region in which they are located.

Key messages and policy recommendations

Given the great diversity among SMSTs in Western Europe, place-based approaches to individual SMSTs always require a detailed analysis of the specific place before developing a bundle of policy interventions.

Towns are different from larger cities in terms of their labour markets, economic profiles and demographic mix. There are important differences between national urban systems. Simple contextual variables such as being autonomous, agglomerated or networked are not a sufficient predictor of performances for SMSTs – except when explaining why specific towns might be able to benefit from their particular location. Therefore there may be other ‘unobserved’ variables which inform the development potential of towns.

In terms of barriers and potentials, within the wide variety of situations that characterise the performance of SMSTs in the 2000s, some towns have indeed been able to flourish.

Successful case study towns which have managed to combine development with high amenity value in Europe include Colwyn Bay in Wales. Detailed analysis of towns in their territorial setting shows that regional context appears to be the most important influence along with having a good balance of residents in employment.

Finally, the sectoral profile is also important. Historically, small towns have had some degree of competitive advantage in industrial employment. However, today this relative advantage may be problematic, as industrial employment (particularly in manufacturing) has become subject to increasing global competition, which impacts for example industrial towns such as Tredegar in the periphery of the Cardiff region in Wales. Towns with a higher proportion of employment in industrial activities tend to have negative trends in terms of growth, employment and population.

The ESPONontheRoad project

The ESPON on the Road Project is a Transnational Networking Activity of nineteen ESPON Contact Points, financed by the ESPON 2013 Programme with the aim to bring the results of applied research on European territorial development closer to decision making.

The ESPON 2013 Programme is part-financed by the European Regional Development Fund, the EU Member States and the Partner States Iceland, Liechtenstein, Norway and Switzerland. It shall support policy development in relation to the aim of territorial cohesion and a harmonious development of the European territory.

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