



SUSTAINABLE SOCIAL AND ECONOMIC DEVELOPMENT OF REGIONS – CASE STUDY OF COUNTIES MUNICIPALITIES IN KURZEME PLANNING REGION

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Annotation

Sustainable social and economic development is one of the most important issues for countries worldwide. There is always topical question, how to provide development, that influences positive different spheres of life and all members of society. Successful implementation of this goal can be reached only if there is also sustainable development of regions in the country, as results of regions are very closely linked to development of the country, and directly predetermine it.

In Latvia, two levels of regions can be stated – planning regions and municipalities (of cities and counties). On the one hand, there can be positive synergy between regions in terms of social and economic development if regions directly or indirectly cooperate in some fields. On the other hand, negative trends in one region can result in undesirable processes in other regions. And, of course, there can be also competition between regions (e.g. for state budget funding, private investment, human resources etc.).

Aim of the research – to assess main trends of social and economic development of counties municipalities in Kurzeme planning region. For research, method of comparison, method of ranking, analysis of dynamic and correlation analysis was made. For research, information from Central Statistical Bureau of Latvia and from the reports by State Regional Development Agency “Regional Development in Latvia” about counties in Kurzeme planning region was used. To assess social and economic development trends in counties municipalities of Kurzeme planning region, such indicators as number of population, population density, demographic burden, gross wages and salaries, number of economically active statistical units was analysed.

Results of research show that there is correlation between some social and economic indicators that characterizes counties municipalities. Decrease of population number contributes to decrease of economic activity in county and so – to decrease of wages. In long term perspective, these processes reinforce each other and can create situation with plenty other serious development problems.

KEY WORDS: social development; economic development; county municipality; gross wage; Kurzeme region.

Introduction

One of very important and central aim of every country is to ensure sustainable and balanced social and economic development. For this reason, well-considered and successful development of regions is critically important.

Sustainable development is also the question about ability to use limited resources as effective as possible and that includes deliberative (and successful) operation in economic and social, environmental and institutional dimensions as they are closely linked and predetermines each other.

In Latvia, there are many challenges for development, as there are negative or unwanted trends in such very important indicators as number of population, structure of GDP, quality of life and others (by National Development Plan of Latvia for 2014-2020). If we analyse situation at regional level, for some regions and counties in Latvia these problems are especially topical. On the other hand, there are different approaches to evaluate relationship between population change and sustainable development, so demographic situation in Latvia and regions cannot be seen as unambiguously poor, without thorough analysis. Nevertheless, if we assume that there is positive correlation between number of inhabitants and economic growth, reduction of population number is an unfavourable trend for sustainable development.

Even if there can be seen positive trends in some indicators of social and economic situation, results must be interpreted carefully. We can assess changes in situation truly as development only, if all population benefits the results of these positive changes.

Focus of the research is to assess the main trends of social and economic development of counties municipalities in Kurzeme planning region.

The object of the research is social and economic development of counties municipalities in Kurzeme planning region.

The subject of the research is trends of social and economic development of Kurzeme planning region municipalities.

To assess social and economic development trends in counties municipalities of Kurzeme planning region, several indicators were used:

- number of population,
- population density,
- demographic burden,
- gross wages and salaries,
- number of economically active statistical units.

For analysis, method of comparison was used – data of counties was compared with average level of Kurzeme region and average indicator of Latvia. Analysis of dynamics gives impression about trends of social and economic situation. Also, method of ranking was used to evaluate differences in situation of small, medium-size

and big counties. By using correlation analysis, hypothesis about interaction between social and economic situation was verified.

In the research are used data about basic indicators of social and economic development of the counties municipalities in Kurzeme planning region from the reports by State Regional Development Agency

"Regional Development in Latvia" and data collected by Central Statistical Bureau of Latvia.

Concept of social and economic development

The research "Methodological solutions for assessment of the regional policy and territorial development" describes the development using four dimensions, see Fig.1.

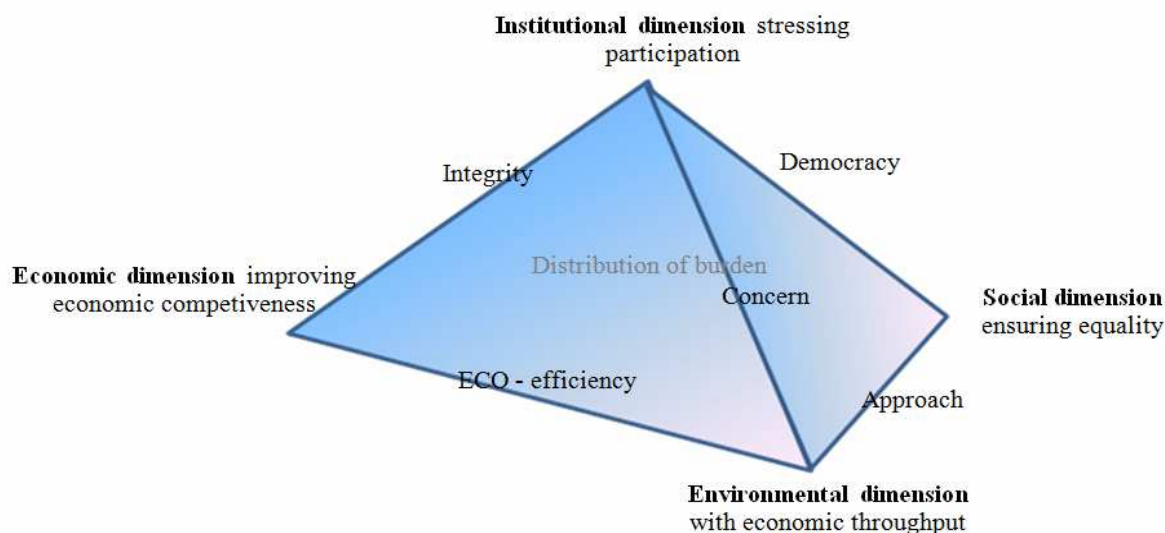


Fig. 1. Dimensions of sustainable development and links with them (Latvijas Republikas Valsts reģionālās attīstības aģentūra, 2009)

Consequently, if the country or region wants to develop sustainably (i.e., with no negative impact on the potential development of future generations), an integrated approach is needed. All – economic and social, environmental and institutional dimensions are significant. In this research, main accent is on social and economic dimensions, but we also consider close links between dimensions.

One should take into account also, that there are many limitations for the development, so every country or region has restricted number of possible scenarios of sustainable development. (Trušīņš, 2010) Sustainable development is the question about ability to use limited resources as effective as possible and that includes deliberative (and successful) operation in all dimensions, mentioned before, as they are closely linked and predetermines each other.

Result of successful development can be described as competitiveness – ability to ensure growth and better life conditions for inhabitants. Competitiveness of regions or counties can be characterized likewise as competitiveness of country. Four attributes are: factor conditions, demand conditions, related and supporting industries and firm strategy, structure and rivalry, see Fig. 2. (Porter, 1990) Also, mutual interaction of regions or counties must be taken into account – it can be with positive or negative result (i.e. synergy from cooperation or competition between regions for inhabitants, resources etc.).

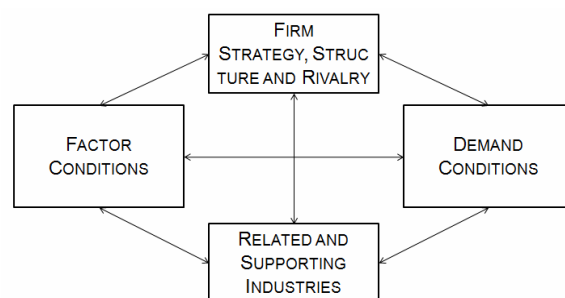


Fig. 2. Determinants of National Competitive Advantage by Michael E. Porter

The central players of regional development are inhabitants. On the one hand, inhabitants are important resource, as people are working, creating value and providing goods and services to ensure better life conditions. On the other hand, inhabitants are also clients – they use produced goods and services and benefits from social and economic development.

There exist different approaches to evaluate connection between population and sustainable social and economic development. Relationship between population change and sustainable development can be assessed (Marsiglio, 2011):

1. Optimistic – considers population as an important input to produce knowledge: the higher the population, the higher the probability that a new Isaac Newton would be born.
2. Neutral – based on empirical foundation that there exists little cross-country evidence that population

growth might either slow down or encourage economic growth.

3. Pessimistic – considers population as a threat for growth. This can be due to two reasons: if the economy shows fixed resources and no sources of technical progress, in the long run the production activity will not be able to satisfy the pressure of population growth leading per-capita resources to fall below a minimal subsistence level. If the economy instead shows rapid population growth, a large share of investment will be devoted to satisfy the needs of the increasing population rather than to increase per-capita capital endowments.

This means that each situation and changes must be analysed very carefully, as there can be different trends and correlation between indicators.

Social and economic development of counties municipalities in Kurzeme planning region

There are many negative and unwanted development trends in Latvia and regions (by National Development Plan of Latvia for 2014-2020):

- decreasing number of population,
- uneven external trade balance,
- pro-cyclic nature of government finances,
- not sustainable structure of GDP,
- high unemployment rate,
- the poverty level is among the highest in the European Union,
- in terms of income levels, Latvia is the most unequal European Union Member State.

These problems are topical also at the level of planning regions and at level of local municipalities.

In Latvia are 5 planning regions – Riga, Pieriga, Kurzeme, Vidzeme and Latgale planning region. Kurzeme planning region, in context of Latvia, is average development level region. If compared to other planning regions, Kurzeme region is 3rd best (by such indicators as household income, unemployment level, GDP per capita and other). If compared to average indicators of Latvia, situation in Kurzeme region is worse.

In Kurzeme planning region are 18 counties municipalities that can be divided in 3 groups according to the size:

1. 9 small municipalities (number of inhabitants is less than 5000). This group includes:
 - Alsunga county,
 - Mērsrags county,
 - Rucava county,
 - Vaiņode county,
 - Pāvilosta county,
 - Durbe county,
 - Nīca county,
 - Roja county,
 - Dundaga county.
2. 6 medium-size municipalities (number of inhabitants is 5001 – 20 000):
 - Skrunda county,
 - Priekule county,
 - Brocēni county,

- Grobiņa county,
 - Aizpute county,
 - Ventspils county,
3. 3 big municipalities (number of inhabitants is 20 001 – 50 000):
 - Kuldīga county,
 - Saldus county,
 - Talsi county.

In Table 1, data about 3 indicators, characterizing development of social situation in Latvia, Kurzeme planning region and counties municipalities of Kurzeme planning region are summarized.

In 6 year period, number of population in Latvia decreased for 176738 persons, or 8.2% if compared to year 2009. In Kurzeme region decrease is more rapid – 10.9% and in all counties of Kurzeme region (except Grobiņa county) also decrease is more rapid than in Latvia as a whole. The highest decrease in absolute terms was in Talsi county – number of population decreased for 3714 persons, but in relative terms – in Brocēni county, where number of population reduced for 15.3%.

Changes of population density is caused by changes in number of population, as there is no or very small changes of territory of counties. A relatively high population density in Latvia is because high level of density in Riga. In Kurzeme region, highest population density is in Roja county, that was 4.75 times bigger than lowest population density – in Rucava county (at the beginning of the year 2015).

Demographic burden is the indicator of the public distribution by age groups in county. To calculate the indicator, details about the number of people under working age, those of working age and over working age are used. It also characterizes the existing public burden imposed on the people of working age. Changes of demographic burden in counties are very different – from decrease in relative terms for -4.6% (Rucava county) to increase for 10.3% (Grobiņa county). As this indicator depends on changes in 3 groups of population, trends can be not declared strict – decrease, as well as increase can be assessed as positive or negative change of situation. If increase is determined because of increase in number of people under working age, it means good perspective in future, as there will be more adults. If decrease is determined because of decrease of relative share of people over working age, that shows positive changes in population aging structure and lower public burden imposed on the people of working age.

Demographic burden in Latvia at the beginning of year 2015 has increased by 55 persons, or 9.95, comparing to year 2011. The overall situation in Latvia is not very good – population is becoming older, many working age people are going to work and live abroad (also with families), average age of having first baby is increasing and average number of kids in family – decreasing. If we take into account all this, changes of demographic burden in Latvia, Kurzeme planning region and all analysed counties municipalities can be described as negative trend.

Table 1. Indicators of social development of counties municipalities in Kurzeme region and of Latvia
(compiled and calculated by author, using data from Central Statistical Bureau of Latvia and from State Regional Development Agency "Regional Development in Latvia")

Indicator County	Number of population at the beginning of the year				Population density at the beginning of the year				Demographic burden at the beginning of the year			
	Year 2009	Year 2015	Changes		Year 2010	Year 2015	Changes		Year 2011	Year 2015	Changes	
			Persons	% to year 2009			Persons	% to year 2010			Persons	% to year 2011
Aizpute	9965	8883	-1082	-10.9	15	14	-1	-6.7	661	690	29	4.4
Alsunga	1573	1416	-157	-10.0	8	7	-1	-12.5	592	584	-8	-1.4
Brocēni	6827	5785	-1042	-15.3	13	12	-1	-7.7	623	644	21	3.4
Dundaga	4567	4039	-528	-11.6	7	6	-1	-14.3	590	621	31	5.3
Durbe	3278	2854	-424	-12.9	10	9	-1	-10.0	616	653	37	6.0
Grobiņa	9701	8929	-772	-8.0	20	18	-2	-10.0	593	654	61	10.3
Kuldīga	26065	23898	-2167	-8.3	15	14	-1	-6.7	585	595	10	1.7
Mērsrags	1742	1582	-160	-9.2	15	15	0	0.0	657	655	-2	-0.3
Nīca	3737	3419	-318	-8.5	10	10	0	0.0	615	634	19	3.1
Pāvilosta	3051	2701	-350	-11.5	6	5	-1	-16.7	643	652	9	1.4
Priekule	6236	5555	-681	-10.9	12	11	-1	-8.3	626	641	15	2.4
Roja	4215	3799	-416	-9.9	21	19	-2	-9.5	583	587	4	0.7
Rucava	1949	1681	-268	-13.8	4	4	0	0.0	695	663	-32	-4.6
Saldus	27309	24087	-3222	-11.8	16	14	-2	-12.5	554	592	38	6.9
Skrunda	5634	5082	-552	-9.8	10	9	-1	-10.0	633	658	25	3.9
Talsi	33161	29447	-3714	-11.2	18	17	-1	-5.6	566	601	35	6.2
Vainode	2783	2469	-314	-11.3	9	8	-1	-11.1	699	713	14	2.0
Ventspils	12821	11697	-1124	-8.8	5	5	0	0.0	562	597	35	6.2
Kurzeme region	285968	254722	-31246	-10.9	21	19	-2	-9.5	589	638	49	8.3
Latvia	2162834	1986096	-176738	-8.2	33	31	-2	-6.1	558	613	55	9.9

In Table 2 are summarized data about gross wages and salaries and number of economically active statistical units in Latvia, Kurzeme planning region and counties municipalities of Kurzeme planning region – these indicators are used to represent changes of economic situation.

Indicator Gross wages and salaries is used, because this is main source of income for inhabitants. Analysis of income is very important, as income is a key measure of economic welfare and the prosperity of residents living in the region. (Oguz, Knight, 2010)

Table 2. Indicators of economic development of counties municipalities in Kurzeme region and of Latvia
(compiled and calculated by author, using data from Central Statistical Bureau of Latvia)

Indicator County	Gross wages and salaries, EUR				Number of economically active statistical units per 1000 inhabitants			
	Year 2009	Year 2014	Changes		Year 2009	Year 2012	Changes	
			EUR	% to year 2009			Units	% to year 2009
Aizpute	519	621	102	19.7	72.1	86.7	14.6	20.3
Alsunga	429	510	81	18.9	77.6	112.8	35.2	45.4
Brocēni	487	584	97	19.9	54.9	67.5	12.5	22.8
Dundaga	383	439	56	14.6	50.8	66.1	15.3	30.1
Durbe	453	578	125	27.6	103.4	123.6	20.2	19.5
Grobiņa	447	666	219	49.0	61.8	74.9	13.1	21.1
Kuldīga	486	557	71	14.6	69.6	78.4	8.8	12.6
Mērsrags	503*	618	115	22.9	45.9	48.1	2.2	4.8
Nīca	345	476	131	38.0	93.4	99.0	5.6	6.0
Pāvilosta	358	532	174	48.6	85.5	102.9	17.3	20.3
Priekule	408	510	102	25.0	85.5	103.8	18.3	21.5
Roja	391	463	72	18.4	49.3	49.8	0.4	0.9
Rucava	380	534	154	40.5	100.6	132.7	32.1	31.9
Saldus	539	625	86	16.0	75.5	86.9	11.4	15.2
Skrunda	430	549	119	27.7	60.0	67.7	7.7	12.8
Talsi	578	655	77	13.3	70.2	79.4	9.2	13.1
Vainode	385	485	100	26.0	54.3	63.6	9.4	17.3
Ventspils	622	818	196	31.5	60.3	65.5	5.2	8.6
Kurzeme region	609	702	93	15.3	63.6	79.5	15.8	24.9
Latvia	696	834	138	19.8	61.5	72.1	10.6	17.2

* Year 2011

In year 2014, in Latvia average gross wages and salaries have increased for 138 EUR, or for 19.8%, comparing to year 2009. In Kurzeme region this increase is not so great – for 93 EUR or 15.3 %. Gross wages and salaries have increased in all counties municipalities of Kurzeme planning region, but intensity of changes is different – the most rapid increase has been in two counties – Grobiņa county (49%) and Pāvilosta county (48.6%).

Different dynamics of changes has also changed differences between counties – in year 2009 highest gross wages and salaries were in Ventspils county, but lowest – in Pāvilosta county and difference was 277 EUR or 80% from Pāvilosta county indicator. In year 2014, highest indicator also were in Ventspils county, but lowest – in Dundaga county and difference was 379 EUR or 86% from Dundaga county indicator. Also, by 3.35%p has increased difference between gross wages and salaries in Kurzeme planning region and Latvia. This all shows increase of income inequality between counties and in Latvia as a whole.

Indicator Number of economically active statistical units per 1000 inhabitants is used, as counties municipalities are very different in terms of number of inhabitants (see Table 1). The highest economic activity can be observed in Durbe and Rucava counties, but lowest – in Mērsrags county. Indicator in many counties are higher than in Latvia overall, but this cannot be interpreted unambiguously, as this data include very different units by type of activity and size. Economically active statistical units are:

- self-employed persons,
- individual merchants,
- commercial companies,
- peasant and fisherman farms,
- funds, foundations and associations,
- state budgetary institutions,
- local government budgetary institutions.

Due to differences in form and type of activity and size, these statistical units have distinct capacity to provide jobs, pay wages and salaries, produce goods, create strong network of cooperation etc.

Analysis of development trends of counties and sustainable development opportunities

Different dimensions of development are closely linked to each other, as is mentioned before (see. Fig. 1). Problems or weakness in one dimension can encumber sustainable development in other dimension and region as a whole. So it is very important to monitor and analyse interdependence of indicators that characterize these dimensions and draw conclusions to provide sustainable planning.

In Fig. 3 is analysed correlation between number of inhabitants and gross wages and salaries. Counties are grouped by number of inhabitants in group of small, medium-size and big counties, and ranked. According to Fig. 3, size of county can be considered as factor that influences population income. But this can be seen also contrary – number of population in county depends on the

prosperity of population. Especially this correlation is expressed in groups of medium-sized and big counties.

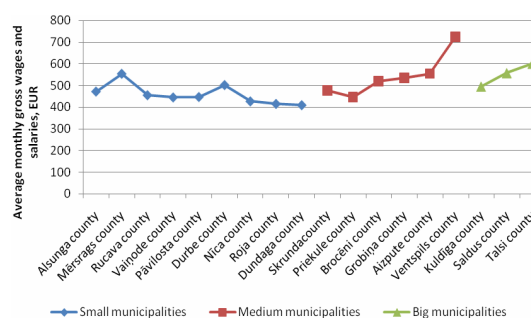


Fig. 3. Average monthly gross wages and salaries in counties of Kurzeme planning region during period 2009 – 2014, EUR

(compiled and calculated by author, using data from Central Statistical Bureau of Latvia)

Fig. 4 presents correlation between changes of gross wages and salaries and changes of number of inhabitants. It can be observed that there is correlation between these two indicators in groups of counties, as well as in all counties of Kurzeme planning region. Decrease of population number contributes to decrease of economic activity in county and so – to decrease of wages. In long term perspective, these processes reinforce each other and thereby creates very topical problem in Kurzeme region and Latvia – empty and inactive countryside. These results allow to regard population as an important input to sustainable social and economic development of region.

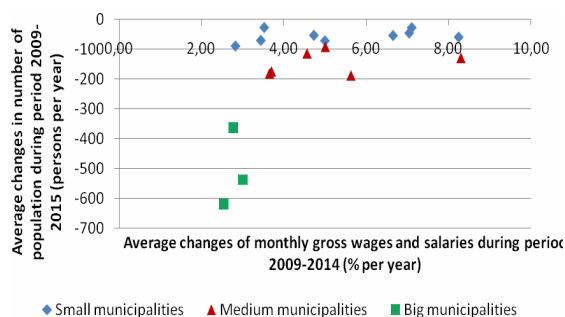


Fig. 4. Correlation between increase of gross wages and salaries and decrease of population number during period 2009 – 2014

(compiled and calculated by author, using data from Central Statistical Bureau of Latvia)

Conclusions

Sustainable development of region is possible only if there is successful development of different dimensions – social, economic, environmental and institutional. In Latvia are observed many negative trends in all dimensions that can sufficiently impact possibilities of sustainable development. Analysis must be done from bottom to top, as situation in regions is very closely linked to development of the country, and directly predetermine it.

Kurzeme planning region, in context of Latvia, is average development level region. If compared to other

planning regions, Kurzeme region is 3rd best (such indicators as household income, unemployment level, GDP per capita and other was used). If compared to average indicators of Latvia, situation in Kurzeme region is worse. As can be seen from analysis, indicators that characterizes Kurzeme region are formed from very different situation of counties municipalities. Counties are different by all indicators used for analysis – number of inhabitants, population density, demographic burden, gross wages and salaries, number of economically active statistical units, as well as by trends of changes of situation.

Differences in population income is correlated to (or influences) decrease of number of inhabitants in counties. On the other hand, decrease of number of inhabitants contributes to decrease of economic activity in county and so – to decrease of wages. In long term perspective, these processes reinforce each other and thereby creates very topical problem in Kurzeme planning region and Latvia – empty and inactive countryside. Thus, population is an important input to sustainable social and economic development of region and well-thought planning is required to change trends of changes in situation that treats sustainable development opportunities.

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Summary

Sustainable social and economic development is one of the most important issues of countries worldwide. There is always topical question, how to provide development, that influence positive different spheres of life and all members of society. Successful implementation of this can be reached only if there is also sustainable development of regions in the country, as results of regions are very closely linked to development of the country, and directly predetermine it.

In Latvia can be stated two levels of regions– planning regions and municipalities (of cities and counties). On the one hand, there can be positive synergy between regions in terms of social and economic development if regions directly or indirectly cooperate in some fields. On the other hand, negative trends in one region can result in undesirable processes in other regions. And, of course, there can be also competition between regions (e.g. for state budget funding, private investment, human resources etc.).

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There are many negative and unwanted trends in Latvia and regions, such as decreasing number of population, uneven external trade balance, pro-cyclic nature of government finances, and not sustainable structure of GDP, high unemployment rate, high poverty level, and high income inequality. These problems are topical also at the level of planning regions and at level of local municipalities.

Kurzeme planning region, in context of Latvia, is average development level region. If compared to other planning regions, Kurzeme region is 3rd best (by such indicators as household income, unemployment level, GDP per capita and other). If compared to average indicators of Latvia, situation in Kurzeme region is worse. As can be seen from analysis, indicators that characterizes Kurzeme region, are formed from very different situation of counties municipalities.

Results of research show that there is correlation between some social and economic indicators that characterizes counties municipalities. Decrease of population number contributes to decrease of economic activity in county and so – to decrease of wages. In long term perspective, these processes reinforce each other and can create situation with plenty other serious problems.

KEYWORDS: social development, economic development, county municipality, gross wage, Kurzeme region.

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