Channels to innovation in regions – can equality policy help?

Kanały służące do dyfuzji innowacji w regionach – czy polityka równości może pomóc?

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Summary
The paper reflects on questions of socio-economic development, challenged by globalization and change of society, where a regional perspective is of main concern. The idea of ‘glocality’ is put forward as a new approach to dynamic growth of regions. First, the Norwegian policy of gender equality is presented to illustrate the connection between government’s policy and its results – effective labor market with high employment rates. A friendly social environment and efficiently working institutions are important factors contributing to the high level of economic development and social and political stability in the Nordic countries. Our neighbors from the North achieve such positive results through a long-term policy of creating equal opportunities for potential participants on the job market. Two indicators are worth mentioning: 80% employment rate for women and 2,5% unemployment rate in Norway. Taking the above observations as a point of reference, the paper discusses questions regarding regional development – the status quo of Polish regions based on the EU reports, followed by challenges and opportunities, especially for the less advantaged regions. The substantial differences between regions, shown by development indicators, are often bigger within a country than between countries. Why so and what might be done to improve the situation? Here two concepts of capability are discussed – a workable step forward in finding the proper ‘push’ for the emerging regions. Eastern regions of Poland do have the potential to take up the challenge and build a better future if they ‘utilize’ glocality and capability.
1. Prerequisites for economic development

1.1. Economic development

Times of turbulence and crises bring up opinions on “rights” and “wrongs” in economic theories and policies, in search for better solutions to avoid a new fall. Debates about politicians’ short-sightedness, the role of the state and the market in economy, the division of burdens and benefits, sources of innovation and social progress, and many other subjects, burst up. In Poland, such debates are not especially constructive because a lack of political and social consensus make them rather hostile than beneficial.

The idea of „class struggle” discredited in the socialist system has been replaced today by an equally aggressive and polarizing power games between parties and political fractions, which instead of finding compromise to resolve issues important for the whole country, prefer hunting down their political opponents. Recapturing and appropriating, i.e. appointing one’s own people to the most important positions in public institutions – central and local take up so much time and energy that there is little left to conduct the necessary institutional reforms.

The rapid transformation of Polish economy in the 1990s and relatively high GDP growth in the following years, do not match slow development of human and social potential.

In ratings of social development, other countries, including those of a similar socialist past are ahead of Poland, which the HDI (Human Development Index) indicator illustrates in Table 1.

HDI shows different aspects of social development in selected years, as in e.g. „Growth for Human development” in 1996 or „Human rights and human development” in 2000, “The real wealth of nations” in 2010, so one cannot compare directly the change of country’s place in the 15 years period, but of course, a trend indicates a change. But the place in the rating in a given year in comparison to other countries is quite comparable, and here Poland stays behind Czech Republic, Slovakia and Hungary.
Table 1. Place of selected countries in social development ranking – HDI in selected years

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<tbody>
<tr>
<td>Norway</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Sweden</td>
<td>9</td>
<td>6</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Finland</td>
<td>6</td>
<td>11</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td>Denmark</td>
<td>17</td>
<td>15</td>
<td>14</td>
<td>19</td>
</tr>
<tr>
<td>Germany</td>
<td>18</td>
<td>14</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>37</td>
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</tr>
<tr>
<td>Slovakia</td>
<td>41</td>
<td>40</td>
<td>42</td>
<td>29</td>
</tr>
<tr>
<td>Hungary</td>
<td>46</td>
<td>43</td>
<td>35</td>
<td>36</td>
</tr>
<tr>
<td>Poland</td>
<td>56</td>
<td>44</td>
<td>36</td>
<td>41</td>
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</table>


We can conclude that Poland has some work to do to attain the average European level in the development of civil society and social institutions

1.2 Socio-economic challenges in the next decade

The prognosis for the next 10-20 years indicates the following problems that many countries and societies will have to cope with:

a) An aging society,
b) High financial liability of the state (foreign debt, retirement payments, healthcare costs),
c) Rapid changes in demanded labor skills,
d) Migration (immigration and emigration), refugees and social inclusion in multi-cultural societies.

Without going into detailed data for different countries, one can say that in the coming 10-15 years in Europe, for one retired person there will be not four, just like it is today, but only two or less work-active persons. We need to act now in order to mitigate the changes of today’s ratio of the professionally active – professionally passive to a more favorable one, e.g. by opening labor market to groups of low employment level today, such as young people, disable, and, especially women.

Women’s employment in Poland is low in comparison to other European countries – we are in a group of 5-6 countries where indicators of women’s participation in labor market is the lowest. There are several factors at play here – professional qualifications, availability of workplaces, ability to secure daycare for small children, organization of home duties, as well as open or hidden discrimination.
2. Women’s position in the Norwegian labor market

2.1. Education and job position

The type of education women choose is important factor for their future job, professional career and social position. The level of education tells also a lot. Thus it is worth looking at the changes in the recent years.
Table 3. Women’s participation in selected degree studies in higher education in Norway (percentage)

<table>
<thead>
<tr>
<th>Type of studies</th>
<th>1980</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher education studies in total</td>
<td>48,1</td>
<td>60,2</td>
</tr>
<tr>
<td>Humanities</td>
<td>59,2</td>
<td>63,5</td>
</tr>
<tr>
<td>Pedagogy</td>
<td>69,2</td>
<td>74</td>
</tr>
<tr>
<td>Law and social sciences</td>
<td>41,9</td>
<td>60,8</td>
</tr>
<tr>
<td>Economics and administration</td>
<td>24,9</td>
<td>53,9</td>
</tr>
<tr>
<td>Natural science, technical studies</td>
<td>16,8</td>
<td>32,1</td>
</tr>
<tr>
<td>Medicine</td>
<td>70,3</td>
<td>77,2</td>
</tr>
<tr>
<td>Agriculture, fishery, etc.</td>
<td>22,6</td>
<td>51,2</td>
</tr>
<tr>
<td>Transport, security, other services</td>
<td>2,5</td>
<td>27</td>
</tr>
<tr>
<td>Other</td>
<td>52,1</td>
<td>62,8</td>
</tr>
</tbody>
</table>


It is easy to see that in the last quarter of a century, women dominated most of the degree courses in higher education, and they represent, as a group, a higher level of education than men. This tendency can be observed in many countries, which means that women's professional aspirations and their participation on labor market are on the rise.

Is it reflected in their professional careers and positions held?

Figure 1. Women in managerial positions in Norway in 2006 (percentage)

Source: NOU 2008:6; 45 (AKU SSB)

Despite an increasing level of women's education, gender segregation on the job market still holds. Only in the public sector do women hold 50% of managerial positions. Apart from that the traditional employment structure prevails – men are in executive seats and women hold lower managerial posts or ancillary positions. A similar situation occurs in other Nordic countries, what the data collected for ‘The Nordic 500’ project – women on manager positions in 500 largest corporations – confirms.
Table 4. Women in managerial positions in 500 largest corporations in Nordic countries in 2004 and 2009 (percentage)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>12.4</td>
<td>20.7</td>
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<tr>
<td>Sweden</td>
<td>15.0</td>
<td>17.8</td>
</tr>
<tr>
<td>Finland</td>
<td>11.7</td>
<td>17.2</td>
</tr>
<tr>
<td>Denmark</td>
<td>5.9</td>
<td>13.9</td>
</tr>
</tbody>
</table>

Source: The Nordic 500 Project, Center for Corporate Diversity http://www.corporatediversity.no

Women’s low, albeit rising, share of holding managerial positions seems striking, because it concerns countries where emancipation and gender equality have existed for at least 100 years (women’s right to vote) and have operated for at least 40 (gender equality law). It is hard to say why the traditional structure of job positions has endured over the decades.

It is traditionally explained by different individual preferences for boys and girls, and as a consequence, unlike choice of education and career path (Schreiner & Sjøberg 2004). Boys choose more technical majors, while girls choose those related to care (nursing, pedagogy, services).

A different explanation emphasizes women’s family duties as an obstacle to choosing a demanding professional career, as well as the method of managers’ recruitment, quite often among members of the formal and informal professional networks, dominated by men. (Skjeie & Teigen (2003:121).

2.2 Gender equality policy on the Norwegian labor market

Norwegian governments have had equality issue as policy agenda over the long time. Inequality, gender inequality included, appears at most as a persistent phenomenon, with multiple grounds, therefore it claims a complex mix of policies to change it.

I will concentrate here on selected issues of the Norwegian government policies in the last ten years, aiming at changing the existing inequality on the job market related to gender.

These three issues are:
A) Equalizing salaries and income
B) Preferences given to a minor gender
C) Family policies – social packages
Ad A.
The differences in earnings are persistent, despite the law of equal pay for the same kind of work.

They are illustrated in Fig. 2.

**Figure 2.** Earnings of women and men in Norway – employed full-time, with at least four years of higher education, in 2006

<table>
<thead>
<tr>
<th>Sector</th>
<th>Industry</th>
<th>Construction</th>
<th>Trade</th>
<th>Banking finance</th>
<th>Education</th>
<th>State admin</th>
<th>Local admin</th>
<th>Health care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women % men earn</td>
<td>82</td>
<td>92</td>
<td>87</td>
<td>75</td>
<td>97</td>
<td>91</td>
<td>91</td>
<td>79</td>
</tr>
</tbody>
</table>

*Source:* NoU 2009:6; 59

Based on the data collected in the Official Norwegian Reports (NOU 2009 nr 6) and presented above, we can see that the differences in earnings between the sexes are lower in the public sector than in the private one, except for public healthcare where they are relatively high, similar to those in financial sector.

In this regard, the government may act presenting principles for central wage negotiations in the given year. The government determines a general framework for yearly wage increase, while trade unions and employers’ organizations conduct central negotiations on earnings in respective sectors, professions, job positions. Wage and salary increase, and especially equalization through allowances for less-paid groups, are always the subject of heated debates between parties of contrary interests. The government’s priorities for a given year may concern whole professional groups, such as nurses or hotel chambermaids – professions
dominated by women, where government proposes a particular ‘package’ (salary increase, work conditions, leave) for negotiations, in order to compensate the still existing inequality.

There are many studies aimed at establishing the causes of inequality between men and women’s earnings – be it cultural ones, economic, customary or other – in order to eliminate them with time. One of such causes is, for example, part-time work that women often take. Hence the introduction of guaranteed priority, for those already employed, to help.

Also duties such as taking care of children or of aging parents, as well as less overtime and fewer functional allowances, are additional causes for women’s lower earnings.

Ad B.

Favoring certain social groups, for some reason neglected or discriminated, is always controversial because there is no consensus what „equal status” actually mean. It can relate to equality of opportunity, living conditions, type of work, the amount of allowances received, salaries, i.e. different aspects of functioning social order. The still-lasting traditional forms of distortion in employment and payment forced the government to a radical move – promoting women for managerial positions by introducing gender quotas:

- Minimum 40% representatives of each sex on the boards of stock-listed companies – passed by the parliament (Storting) in 2003, put into effect January 1, 2006.
- Favoring the employment of women in positions with male domination, if the female candidate has the same qualifications as the male one (e.g. professors in universities, directors in large institutions).
- Regarding gender quotas – not introduced up to now – in electoral tickets (right now each political party has its own „equality policy”).

Norway was the first country that introduced gender quotas in all stock listed company boards, which provoked many protests and debates, questioning gender quota legality. Before – as in 2002, women represented only 6% of boards’ members. In 2008, 395 companies reached the required limit of 40%, while 77 of them didn’t. The latter received a warning of closure (NIKK, UiO, 2008).

In Finland in the same year there were 11% of women on the boards of stock-listed companies, and in Sweden 20%. Thus Norway’s 40% should be considered a big achievement.

Heated debates discrediting the institution of gender quotas calmed down as it turned out that women’s active presence in managing the stock-listed companies didn’t affect their results in a negative way. To the contrary, it improved the setting or a better decision-making process.
Training and exams have been organized for female candidates to companies’ boards. A database has been also created, where potential female candidates with adequate qualifications can be found. If there exists a negative side to gender quota policy, it is, in my view, the press on already highly exposed female managers. Many of them are members of the boards of several companies, and the resulting time overload can lead to the reproduction of the same experiences („business as usual”), instead of the expected „breath of fresh air” that women's participation was to ensure. Generally, introducing gender quota policy is met with approval and is not a source of controversy anymore.

Ad C.
As mentioned before, Nordic countries represent high level of women’s participation in labor market. However, it is still the mothers who take care of their children at given periods of time and are temporarily professionally inactive. The data of the Norwegian Statistics Bureau (SSB) indicates that parents’ work activity coefficient for 1991-2005 was stable, at 91% for fathers, while it went up from 74% to 81% for mothers. Temporary absence of fathers decreased from 90% to 80%, whereas for mothers from 80% to 60% (NOU 2008:6; 85-86). Thus there is a similar tendency to have shorter periods of absence at work when taking care of children.

The rise in work activity among mothers is undoubtedly related to the active pro-family policies of successive governments, among them:

- Guaranteed kindergarten placement for all applicants and maximum cost (2300 NOK per month per child, 50% for a second child),
- Long paid and shared maternity/paternity leave (10-12 months, father – minimum 6 weeks),
- After class activities for children at school,
- High child benefits (970 NOK per month per child; benefits for a child of 1-2 years raised by the mother 3303 NOK per month),
- Payment for taking care of a disable child at home.

In all of the Nordic countries long paid maternity leaves (40-68 weeks), which can be shared between the parents, are very popular. Additionally, part of the leave is obligatory for fathers and lasts between 6-13 weeks, which is to change the existing stereotypes on taking care of a baby or small child. The decision on how to share the leave is made by the parents and paternity leaves are not unusual, while the mother goes back to work after 6-12 obligatory weeks of maternity leave after giving birth, (especially if the woman's earnings are higher than that of her spouse).

Such a policy o give women a real opportunity to combine family life with their professional careers.
3. Institutional structures for the active labor market

An effective labor market does not operate autonomously but is dependent on stable institutional structures which constitute its framework. The choice of mechanism coordinating the behavior of business entities is not a choice between the state or the market coordination but the right combination of both. Capitalist market economy – as well as other economic systems, has as an aim socio-economic development, generating better and better living standard and living conditions for its citizens. The GDP growth rate is so only an instrument for reaching the target, and not a target itself. Capitalist markets economy operates in distinct settings, so its functioning models differ, both with regard to time/history and territory/region.

3.1. Scandinavian model of social economy

The so-called Scandinavian model of economy is characterized by a high level of social development and social welfare, low unemployment and stratification, high degree of trust. This is a very general characteristic, since solutions in each country of the North differ considerably. What so they have in common and what is important?

- High level of openness of the economy (all are small economies).
- Strong public institutions – both central and local.
- Large public sector and high taxes.
- High level of social welfare and minimal exclusion rate.
- Mutual trust among citizens and between citizens and institutions.

Such a model proves efficient in practice because transparency and institutional responsibility incline everyone to be active. High employment rate/low unemployment means low exclusion. A friendly state helps one, one doesn’t cheat a friendly state – so that builds up civil responsibility, and citizens pay taxes without complaints. It is important that the citizen has confidence in the institutions and trusts that they act in his or her interest.
As we can see in the data presented above, Polish people’s confidence in public institutions is low – for years 1995 and 2000 it is the lowest for the whole sample, whereas it is the highest in Denmark. These results are true also for other, more recent surveys. Paradoxically, the result for Poland in 1990 is higher than the Scandinavian one, despite the fact that it marked a difficult time of transformation, for both the economy and the people.

3.2. Institutional support for labor market participation

Gender inequalities on the Norwegian job market have been focused on over many years.

The Norwegian state supports several institutions to promote high activity on the job market – one example is Innovation Norway (Innovasjon Norge; www.innovasjonnorge.no), an institution that does counseling, helps in improving skills, building networks, finances innovative projects and gives assistance and financial support mainly for small and medium size companies.

It also supports „equality” initiatives, such as:
- Financing projects managed by women (about 30% of the budget).
- Providing training for female company owners „Lighthouse” (since 2000).
- Creating databases of female candidates for the boards (course + exam).
- Offering „Mentor” program for potential female managers.
- Organizing courses on how to start a company.
- Arranging competition with an award of 1 million NOK for the woman „entrepreneur of the year”.
- Supporting Nordic project „Ambassadors of entrepreneurship”.
These and other social packages discussed in section 2, as well as gender quotas and policies of eliminating disparities in salaries and other forms of discrimination, contributed to a high level of women’s participation on the job market in Norway.

Activities aimed at eliminating discrimination turned out to be an effective instrument of the government policy in creating an active job market and makes it function effective. This is an important factor of economic welfare and stability.

3.3. In place of gender-related conclusion

Instead of conclusions I wish to present few examples to show that the consequent policy matters.

The position of women is quite different in Norway and in Poland.

Women in Poland are often discriminated, especially in small towns and villages, with regard to employment, earnings, civil rights, home duties, and/or family violence.

The difference between Poland and Norway might be illustrated by the following example: while the Polish government has one ministry of labor and social policies, in Norway, with a population of five million, there are two: the Ministry of Labor and the Ministry of Children, Equality and Social Inclusion. It’s not by chance that the minister of labor is a woman, and until recently (2009-March 2012) the minister of children and equality was a young man.

The gender structure of the central national institutions marks also differences. Today in the Polish parliament (www.sejm.gov.pl), after the elections of 2011, for 460 members, there are 110 women, so only 24%. In the Norwegian parliament (www.stortinget.no), after the elections of 2009, there are 67 women out of 169 members, so 40% (without gender quota regulation!).

In the Polish government for 19 members of the cabinet, there are 4 women, so 21%, while in Norway there are 10, so they make up 50% of the 20-person cabinet.

What international comparisons tell us?

In The Global Gender Gap Index 2011, a report recently published by the World Economic Forum (http://www.weforum.org/issues/global-gender-gap), out of 135 surveyed countries, Iceland came first, just like in previous years, then Norway, Finland, Sweden and Ireland. Poland was 41st, after Cuba, Latvia, Lithuania, Moldova and Slovenia, and only one place ahead of Russia. In 2004, Poland was 44th and in 2009 50th, so there is no substantial improvement visible, but one can assume that changes go in the right direction.
4. The relevance of a country “good example” policy to regional development

4.1. Globalization phenomena

Globalization is a process of transformation of socio-economic systems and life conditions, commenced by free flows of goods, technology, production factors including labor, and people.

Globalization changes power division between countries, institutions, professions and social groups. It transfers the power of decision making to networks in distant or unknown locations, and therefore challenges both national states and local communities.

Global markets expand quickly due to a massive deregulation, privatization of public property and internationalization of business relations. Traditional direct contacts between producers, distributors and consumers break, also links between contribution and performance expire, as business partners operate far away, under different rules and work conditions and do not know one another (Tomczak D., 2009, p.167).

All of these create new interconnections, make the world system complex and unpredictable. Tough competition and high uncertainty push corporations, governments, speculators and other groups to act for their own benefit. It reshapes relations within the society, bringing new constellations (Nye, J.S. jr., Welch A., 2011, p. 258).

Global relations apply to a worldwide arena, with many participants in remote locations, where contacts are multiple, quick and thick, and networks complex and interdependent.

Globalization is the recent 30 years phenomena, not a process which started in XIX century economic internationalization.

4.2. Globalization and regions

Economic globalization carries on through market and its three main channels are: foreign trade, foreign investment and mergers & acquisitions, where FDI and mergers & acquisition show the highest dynamics since the 1980s.

According to research conducted by SNF (Bjorvatn, Norman et al., 2007) in a 25-year period 1980-2005 (1980=100), worldwide FDI increased roughly by 10 times, export by 3 times, GDP by 2,5 times, migration by 2 times. The value of M&A increased from ca 100 million dollars in 1993 to 1 billion dollars in 2007, a 10-fold increase (UNCTAD World Investment Report 2009, p. 11).

Global market creates both opportunities and threats for regions.

When central governments loose decision-making powers, and the access to information and direct contact with foreign actors is easier, new prospects open
up for regions. Regions can decide themselves and get resources directly from international partners and institutions. They can stimulate development locally, improving their own economic position.

'Region' is a minor ‘bordered’ unit, where two criteria, geography and public administration, apply the most. Geographic limits are given by nature, but public administration is usually organized as a central state–counties system or central state-counties-municipalities system. A region may also extend over country’s borders, often into a cross-country geographic unit. So the term ‘region’ might be a sub-national or international ‘bordered’ unit (Tomczak, 2009; 174-175).

Regions in a global economy became ‘glocal’ – which means both global and local, an expression first used in the 1990s by Roland Robertson: “telescoping global and local to make a blend” (Robertson 1995; 28).

‘Glocal’ may describe a local unit, local organization, a group or small community, which acts on the local arena, but is linked to international networks and resources, and makes use of opportunities, which globalization open access to. The most important condition is ‘to be connected’ and so take advantage of it.

A ‘glocal region’ is a region, geographical or administrative, depicted by ‘connectivity’, involvement, participation, cooperation (Tomczak 2009; 176)

Being connected means to utilize new possibilities:
- get access to resources (information, knowledge, education, funds, labor)
- grasp opportunities for cooperation,
- participate in local community development,
- move around and transform new ideas

...and more

It applies to individuals, companies, public entities and administration – all have to contribute for opening up to ‘glocality’.

Networking is a clue, as glocality makes it feasible, independently of distance and wealth. But infrastructure for communication and transport is necessary, and also culture for cooperation. It will boost regional activity and, finally, attain prosperity.

4.3. Regional policy in the European Union

In June 1988 the Council of Ministers adopted a "cohesion policy," aiming at redistribution of resources from rich to less-advantaged and less developed areas of the Community.

The importance of regional policy has been expressed by establishing the Commission’s own Regional Policy DG, which is in charge of ca 1/3 of the EU budget, contributing to regional development.

The fourth report ‘Growing Regions, Growing Europe’ 2007, points out to globalization as the main external factor of development, structural change and job creation.
There was a significant disparity in levels of wealth between the rich and the poor regions in Europe 2005. The Report concluded that the competitive position of regions, in general terms, was improving, but disparities were still substantial. The 12 new EU-members represented a great challenge for the Community’s regional and cohesion policies at this time, as most of regions were far below average measures compared to regions in the “old” member countries.

Some general conclusions from the Report are:
- Significant migration from rural areas to the cities.
- Increasing concentration of population and activity in capital city regions.
- Substantial education gap – bigger between regions within a country than between countries.

For Poland the picture of regions just after joining the EU, was not especially optimistic – low employment rate (2005) in most regions: only 41-55% of productive labour force at work; a few regions one step higher with 55-60% rate (p. 22), but far from the ambitious Lisbon Strategy target of 70% or Europe 2020 Strategy target of 75%.

Another activity factors cumulated in the Regional Innovation Performance Index 2002-2003 placed Mazowieckie in the average group, other counties below the average, east-south in the lowest group, with poor results.


“Investment in future” – the reports headline – points out to regions’ development agenda, therefore knowledge and human capital are their focus: education, R&D expenditures, competitiveness and employment. The adverse sides of globalization are also addressed – poverty and the declining public sector.
For Poland there are two indicators one can worry about: the bottom ten EU regions for public investments are all Polish! Table 5 shows the gap between the best and the worst.

Table 5. Public investment in top and bottom ten EU regions in 2002-2006 (in PPS, euro pr head)

<table>
<thead>
<tr>
<th>Country</th>
<th>Top Ten regions</th>
<th>EUR per head</th>
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<tbody>
<tr>
<td>IT</td>
<td>Valle d’Aosta</td>
<td>4263</td>
</tr>
<tr>
<td>IT</td>
<td>P.A. Trento</td>
<td>3616</td>
</tr>
<tr>
<td>LU</td>
<td>Luxembourg</td>
<td>3211</td>
</tr>
<tr>
<td>IT</td>
<td>P.A. Bolzano</td>
<td>3094</td>
</tr>
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<td>PT</td>
<td>Madeira</td>
<td>2422</td>
</tr>
<tr>
<td>PR</td>
<td>Corse</td>
<td>2170</td>
</tr>
<tr>
<td>CZ</td>
<td>Praha</td>
<td>2124</td>
</tr>
<tr>
<td>ES</td>
<td>Castilla y Leon</td>
<td>1807</td>
</tr>
<tr>
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<td>Aragon</td>
<td>1755</td>
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<td>IT</td>
<td>Sardegna</td>
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</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Bottom Ten Regions</th>
<th>EUR per head</th>
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<tbody>
<tr>
<td>PL</td>
<td>Valle d’Aosta</td>
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<td>Praha</td>
<td>2124</td>
</tr>
<tr>
<td>PL</td>
<td>Castilla y Leon</td>
<td>1807</td>
</tr>
<tr>
<td>PL</td>
<td>Aragon</td>
<td>1755</td>
</tr>
<tr>
<td>PL</td>
<td>Sardegna</td>
<td>1696</td>
</tr>
</tbody>
</table>

Source: Investing in Europe’s Future” EC, fifth report November 2010, Summary, p. 47

The other indicator to be worried about is the share of population in the-risk-of-poverty group (2008). Here three Polish regions – Swietokrzyskie, Lubelskie and Warminsko-Mazurskie score high – more than 20,4% of population is in this disadvantaged group (p.cit. 2010; 42). When comparing the Fourth and the Fifth Report on cohesion, we see that the latter has an additional adjective in the title – “territorial cohesion.” I think this small change is important, as it indicates that the area one lives in has the right to improve towards a common standard, and the quality of living should be better without the necessity to migrate. The first step in this direction is education – from primary to tertiary, and so job (high employment level).

5. Capability and development

5.1. Capability concept

Prof. John Sutton, now at LSE, has been working on marked structures and industrial development issues, both as research questions and business solutions
in practice, especially in emerging economies (China, India, Ethiopia and other). His concept of capability is interesting because it brings together different – visible and invisible – aspects of knowledge-technology-skills applications converted between different units, to obtain a successful result. What makes a company, a region, or a country win or lose?

“The capability concept, at one level, simply involves a broadening of the standard productivity concept to a world of differentiated products in which the quality of a firm’s products is a key determinant of their success (…) Other implications relate to the recent heated debate which has developed in response to the appearance of various well-publicised rankings of countries’ “competitiveness”. The issue here is whether it is a firm’s (or country’s) absolute level, or its relative level of capability, that is pertinent to its success. But the most important series of questions relate to Industrial Development: how fast, and how effectively, are capabilities being transferred to firms in developing countries as part of the current “globalization” process? Can these latecomers become leaders in their respective global markets? If so, over what timescale? What are the policy measures that may help (or hinder) the process? And what are the implications of all this for the advanced industrial economies?


Another concept of “capability” has been developed in Norway by prof. Jan Fagerberg, whose research is focused on innovations and the dynamics of growth, addressing the relationship between capability and development (Fagerberg 2006, 2007). In TIK working paper Fagerberg and his co-author (Fagerberg, Srholec 2007) present a sort of ‘capability index’, based on factor analysis of 25 indicators for 115 countries (1993-2004). The authors identify four types of capabilities: 1.innovation system, 2.governance quality, 3.political system and 4. degree of openness.

The factor score on these four main types of capabilities is presented for all countries in the group towards the GDP per capita. The former two ‘capabili-
ties’ – innovation system and governance show a high correlation score towards development, the two latter ones – political system and openness – a low score. The results for single countries are to be found in the article.

One can find interesting interdependence – ‘connectivity’ represented in the study by phone and internet connection, shows high correlation towards innovations, so do education and access to the financial market. For a stable political system, democracy, civil rights and political competitiveness are important. Naturally, trade and FDI depend on the degree of openness, but ‘governance’ depends on knowledge, the rule of law and a functioning judicial system, so one can read how ‘capability’ affects growth and development (Fagerberg & Srholec, 2007; 19).

The presented results of factor analysis apply to countries, but the capability concept and its components are also relevant for regions, if proper data were collected.
5.2. Regions’ challenge

I have presented a framework for socio-economic development and some bricks for construction of a reasonable regional activity mix. So it is up to regional authorities and population to find appropriate solutions.

The development framework is not finally determined, but mentioned features: aging population, rapidly changing demand for products and labour skills, migrations, weak central governments and finances, hanging uncertainty/insecurity – all are real.

Institutional factors – important for society development and cooperation, are also identified: education, effective labour market, non-discrimination, trust to people and institutions, public support and inclusion.

Regional statistics – both national and international – bring a clear picture of regional differences from all wished angles: economy and wealth, political and social participation, voting results, poverty and exclusion with more, so the ‘start point’ and a strategic target are also simple to depict. The European Union gives considerable support to less developed regions, so – Where is the problem??

Professor Guido Tabellini from Bocconi University in Milano has newly received Hicks-Tinbergen Prize 2012 for outstanding article published in JEEA “Culture and Institutions: Economic Development in the Regions of Europe”. His article provides evidence that culture has a causal effect on economic development, and it is based on two variables, literacy rate (i.e. education) and past political institutions (i.e. history). As he states, the link of connection is as follows: Historical institutions → Culture → Economic Development, and says: “(…) culture is central to the mechanism through which past institutions influence the functioning current institutions”; “(…) Less trust and respect for others and less confidence in the individual are associated with lower per capita output and slower growth rates” (Tabellini 2010; 679). He gives interesting explanations for differences between South and North Italy: one country – same language, same economic and judicial system – different outcomes.

The conclusion for regions is simple but not easy: each region has to find out its own way to mobilize resources for promoting education, participation, cooperation, in order to employ all available human capital for sustainable development.

Bibliography


9. EUROSTAT, EU statistics.


