

The Finnish local government reform: Juxtaposing cost structures and centre- periphery relations of municipalities in urban regions

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Presentation based on the article :

Raine Mäntysalo, Olavi Kallio, Petteri Niemi, Jarmo Vakkuri & Jari Tammi: Suuruuden ekonomiaa ja repaleisia kuntarakenteita: Yhdyskunta- ja kustannusrakenteiden kytkentöjä Paras-kaupunkiseuduilla, *Kunnallistieteellinen aikakauskirja* 2012/4

http://www.kunnat.net/fi/palvelualueet/arttu/tutkimusmoduulit/talous/Documents/1_KTA_Mantysalo_4_12.pdf

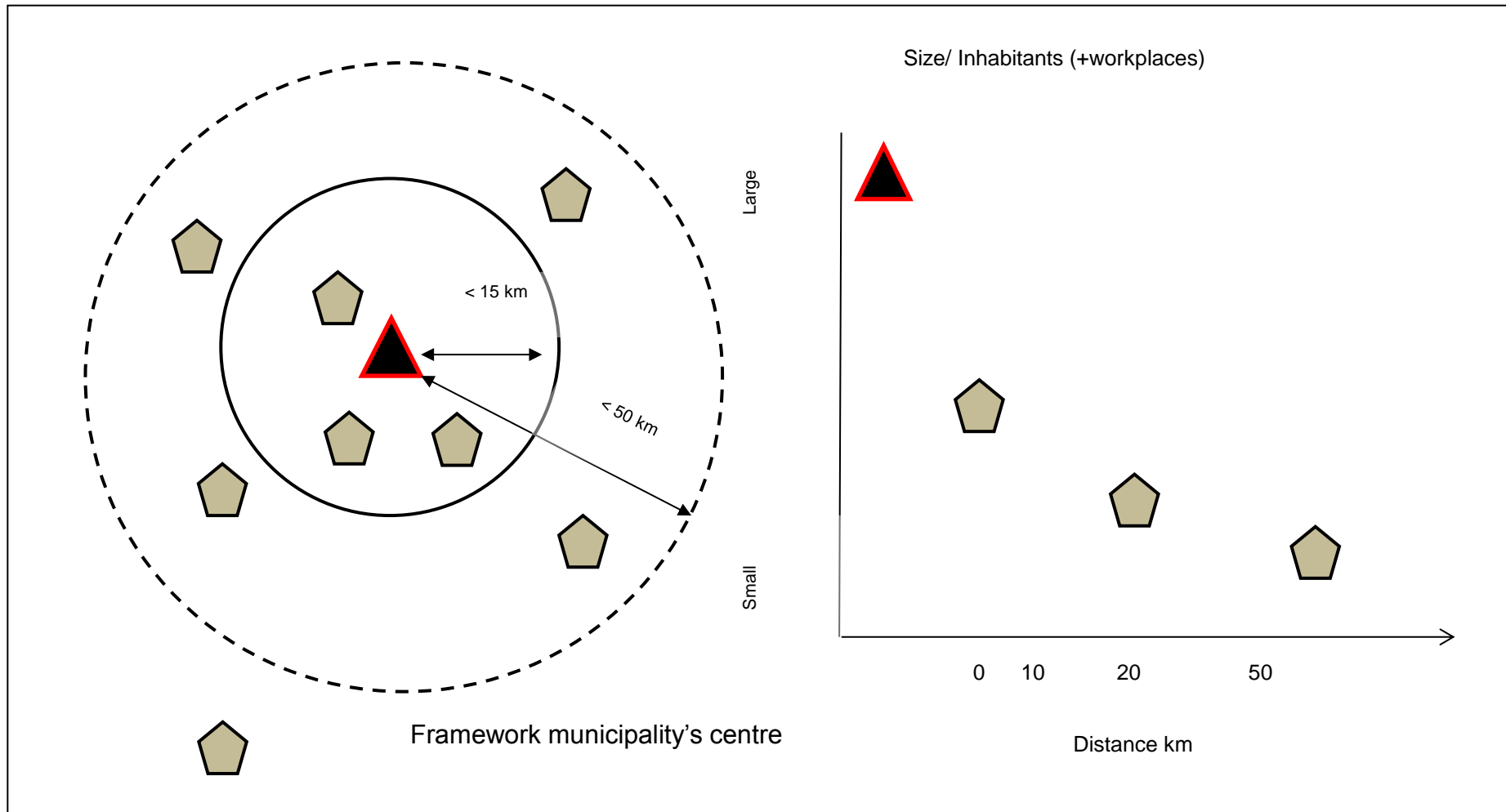
Background

- The discourse of **optimal municipal size** is a key driver in the Finnish municipal reform: small municipalities should merge and cooperate to form stronger and more effective units for the provision of municipal services, and municipal structures in urban regions should conform with the urban regions' functional urban structures.
 - While the reform has approached municipal size in terms of the number of population, and focused on counting necessary population bases especially for social and health care services, it has **neglected the geographical dimension of municipal size**.
 - In Finnish urban regions this has often resulted in municipal mergers where the 'outer circle' fringe municipalities have merged with the central city, while the 'inner circle' municipalities have remained outside these mergers.
 - It has often been claimed that the 'inner circle' municipalities resort to **sub-optimization** and attempt to maintain their independence, since they can benefit economically from their closeness to the central city and its jobs and specialized services, and attract new commuting residents, while the 'outer circle' municipalities are economically worse off and are therefore more motivated to merge with the central city.
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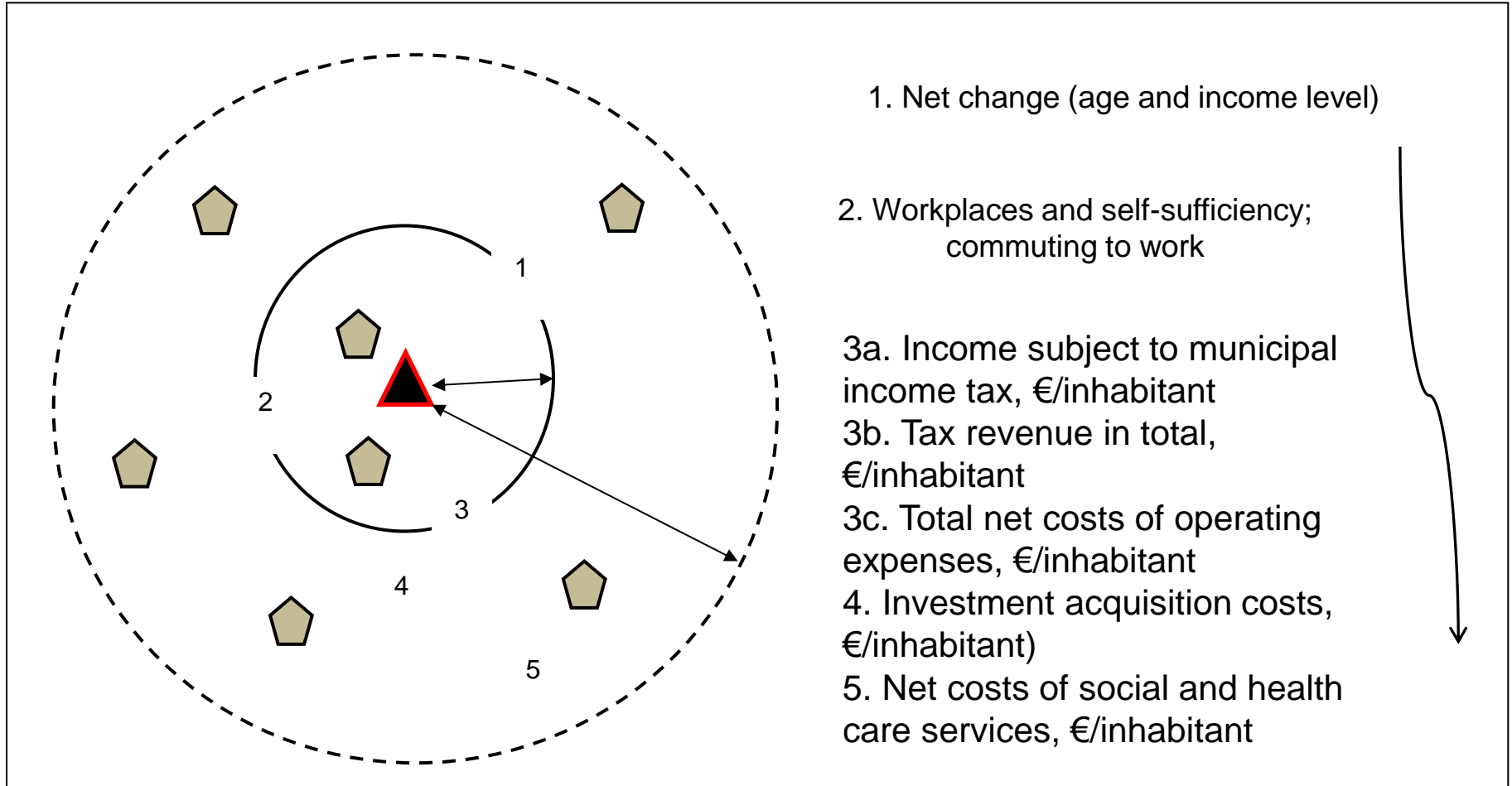
Aim

- To develop an analytical framework to study this general assumption.
- The framework connects the analysis of main fiscal cost indicators of the municipalities with their distance analysis from the central cities in the urban regions.
- How does the location of surrounding municipalities in urban regions in relation to the core of the central city appear in the light of economic performance indicators for municipalities at a general level?
- Can a general correlation be seen between the location of the surrounding municipality and its cost structures?
- Does the review support the general assumption that the biggest successes in Finland's large and medium sized urban regions are the "inner circle" municipalities which thus have the most to lose financially from municipal mergers?
- Is it possible to produce a single methodological approach to create a geographic dimension that can be included in the discussion regarding the optimal economic size for a municipality?

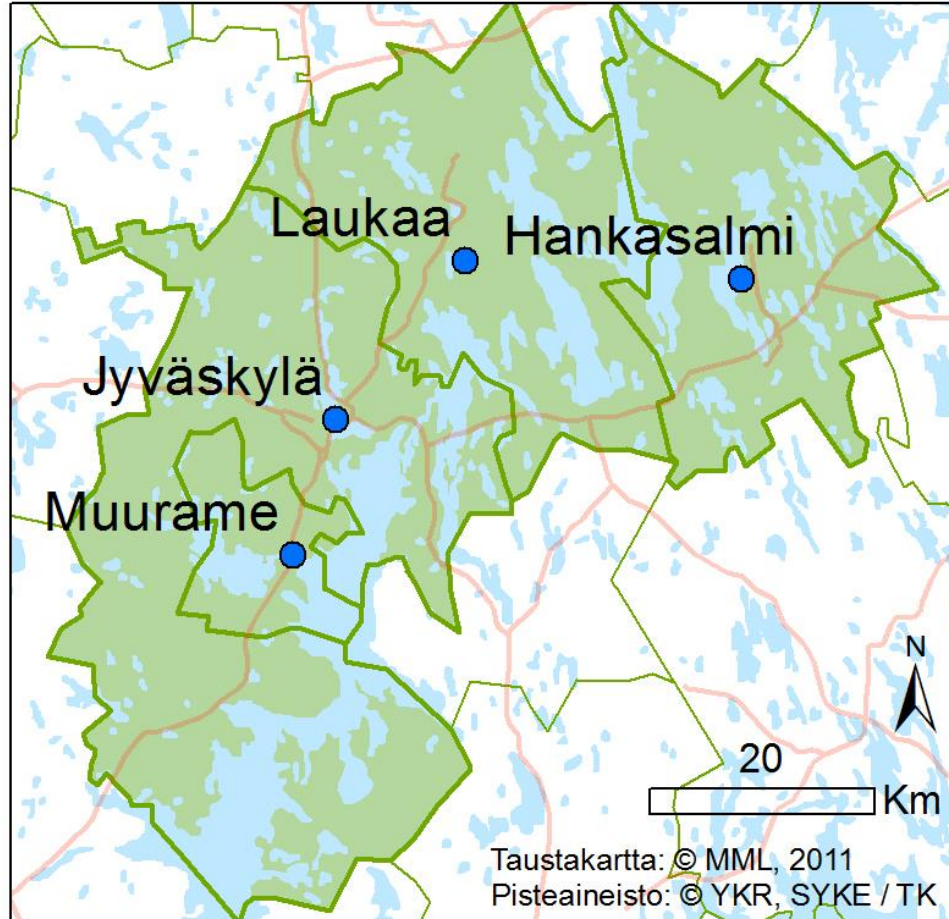
Analytical framework



Factors considered in the financial review of internal interaction within urban regions



Distance analysis



- To determine the distances between municipalities, the GIS-based urban structure monitoring system YKR (Yhdyskuntarakenteen seurantajärjestelmä) was used.
- YKR is developed by the Finnish Environment Institute utilizing statistical data from Statistics Finland.
- YKR comprises a network of statistical rectangles of 250 m x 250 m covering the whole of Finland, including information on e.g. demographics, workplaces, travel to work and buildings.
- Weighted points from the municipalities' spatial structure. The location of the points is calculated as the geographic centre point of the urban structure monitoring system YKR, which includes a municipality's inhabitants and workplaces, weighted by the total number of inhabitants and workplaces.

Selection of municipalities

The municipalities of the urban regions that the PARAS Act required to draw up plans to integrate land use, housing and transport (17)

- + the Kouvola urban region and Länsi-Uusimaa that drew up plans voluntarily
- those urban regions that did not have a clear centre (Länsi-Uusimaa)
- municipalities with a population under 5000 (statistical reliability)
- urban regions that have no surrounding municipalities with a population over 5000

In total:

- 91 municipalities in 2005
- 75 municipalities in 2010

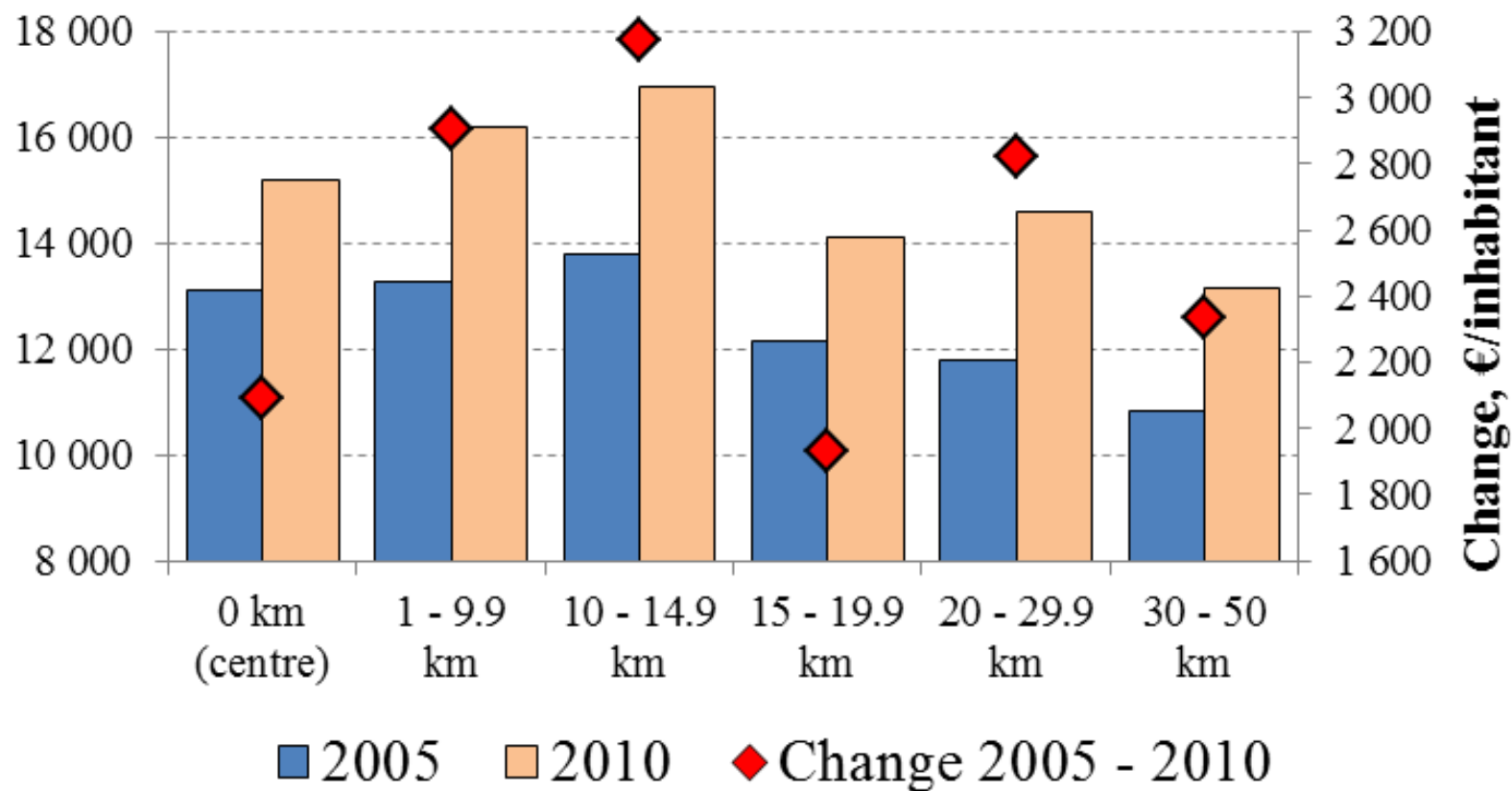
Urban regions and the number of municipalities ordered by distance in 2005

	Distance from the centre, km [Distance of the municipality's weighted point from the centre's weighted point*, km]						
Urban region	Centre	Less than 10	Less than 15	Less than 20	Less than 30	Less than 50	Total
Helsinki urban region	1		3		5	4	13
Hämeenlinna urban region	1	1		1		1	4
Joensuu urban region	1		2		1	3	7
Jyväskylä urban region	1	1	1	1		1	5
Kokkola urban region	1				1		2
Kotka urban region	1		1	1			3
Kouvola urban region	1	1	2	1	1		6
Kuopio urban region	1			1			2
Lahti urban region	1	1	1	1	2	1	7
Lappeenranta urban region	1			1		1	3
Mikkeli urban region	1				1		2
Oulu urban region	1		2	2	2	1	8
Pori urban region	1		2	1			4
Seinäjoki urban region	1	1		1	3	2	8
Tampere urban region	1	1	1	3		1	7
Turku urban region	1	2	2				5
Vaasa urban region	1	1			2	1	5
Total	17	9	17	14	18	16	91

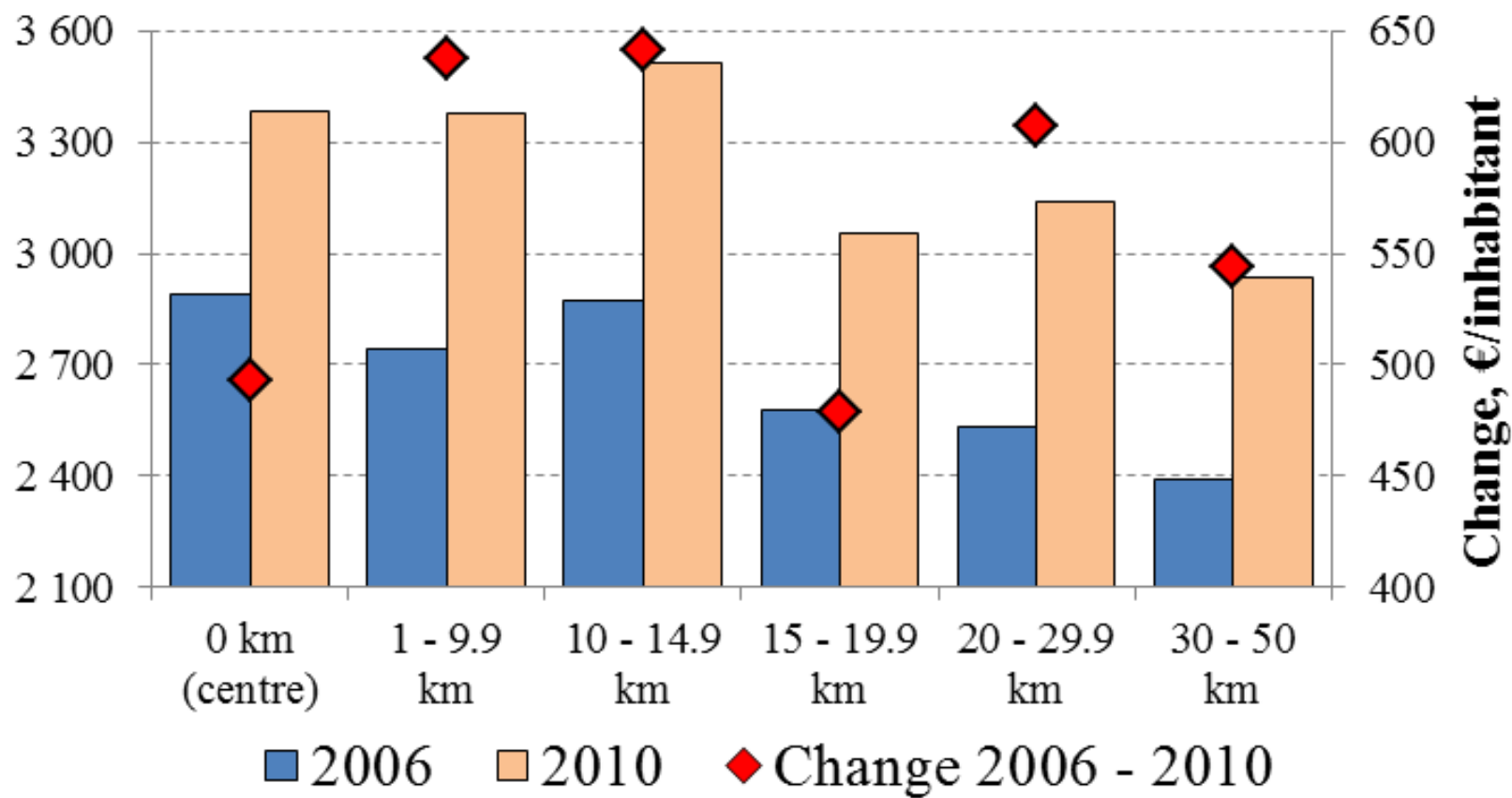
Urban regions and the number of municipalities ordered by distance in 2010

	Distance from the centre, km [Distance of the municipality's weighted point from the centre's weighted point*, km]						
	Centre	Less than 10	Less than 15	Less than 20	Less than 30	Less than 50	Total
Urban regions							
Helsinki urban region	1	1	2		5	4	13
Hämeenlinna urban region	1	1		1			3
Joensuu urban region	1		1		1	1	4
Jyväskylä urban region	1		1	1		1	4
Kokkola urban region	1				1		2
Kotka urban region	1		1	1			3
Kouvola urban region	1				1		2
Kuopio urban region	1			1			2
Lahti urban region	1	1	1	1	1	1	6
Lappeenranta urban region	1					1	2
Oulu urban region	1		3	1	2	1	8
Pori urban region	1	1		1			3
Seinäjoki urban region	1			1	1	3	6
Tampere urban region	1	1	1	3		1	7
Turku urban region	1	2	3				6
Vaasa urban region	1	1			2		4
Total	16	8	13	11	14	13	75

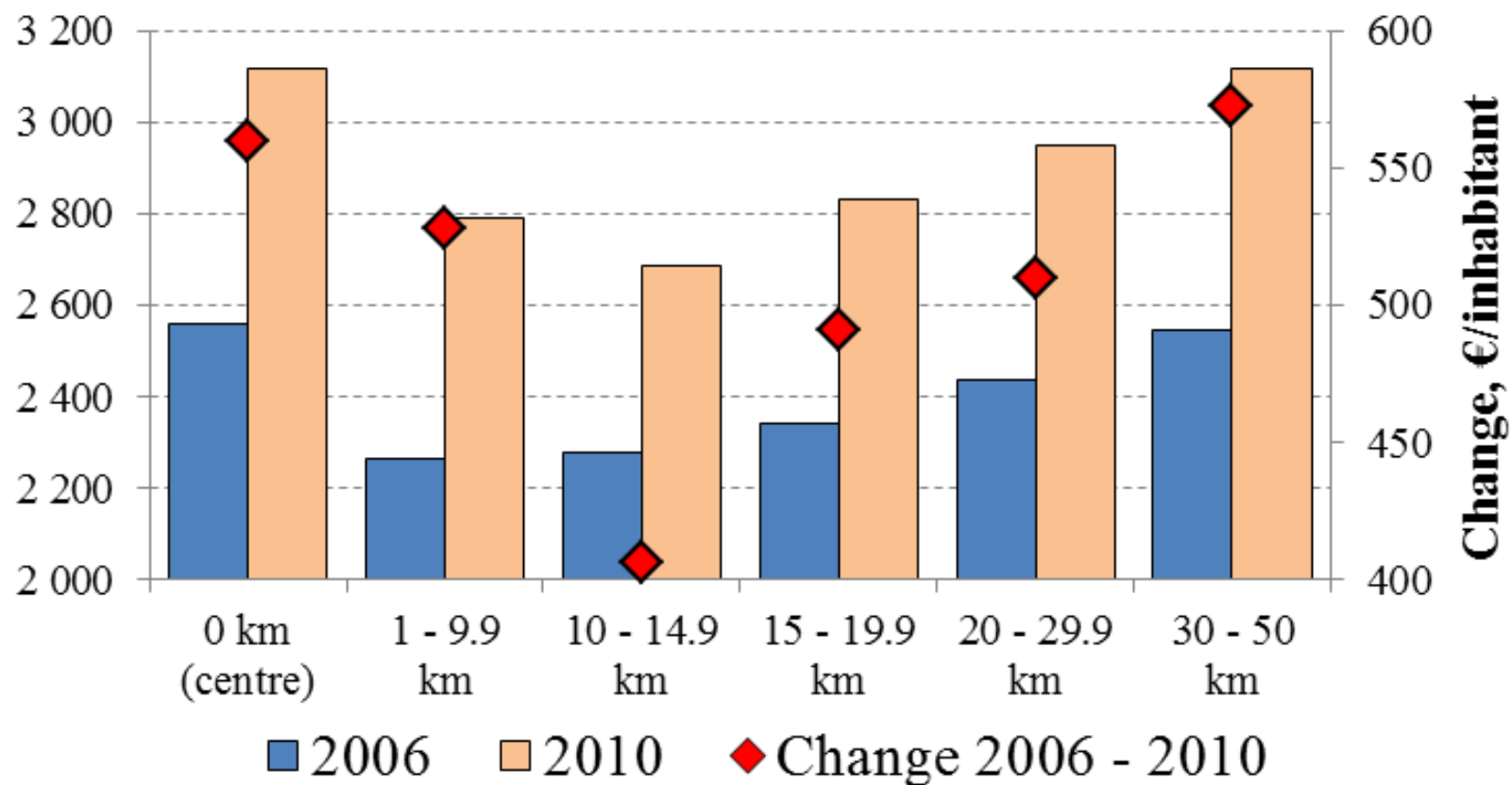
Taxable income 2005 and 2010, €/inhabitant



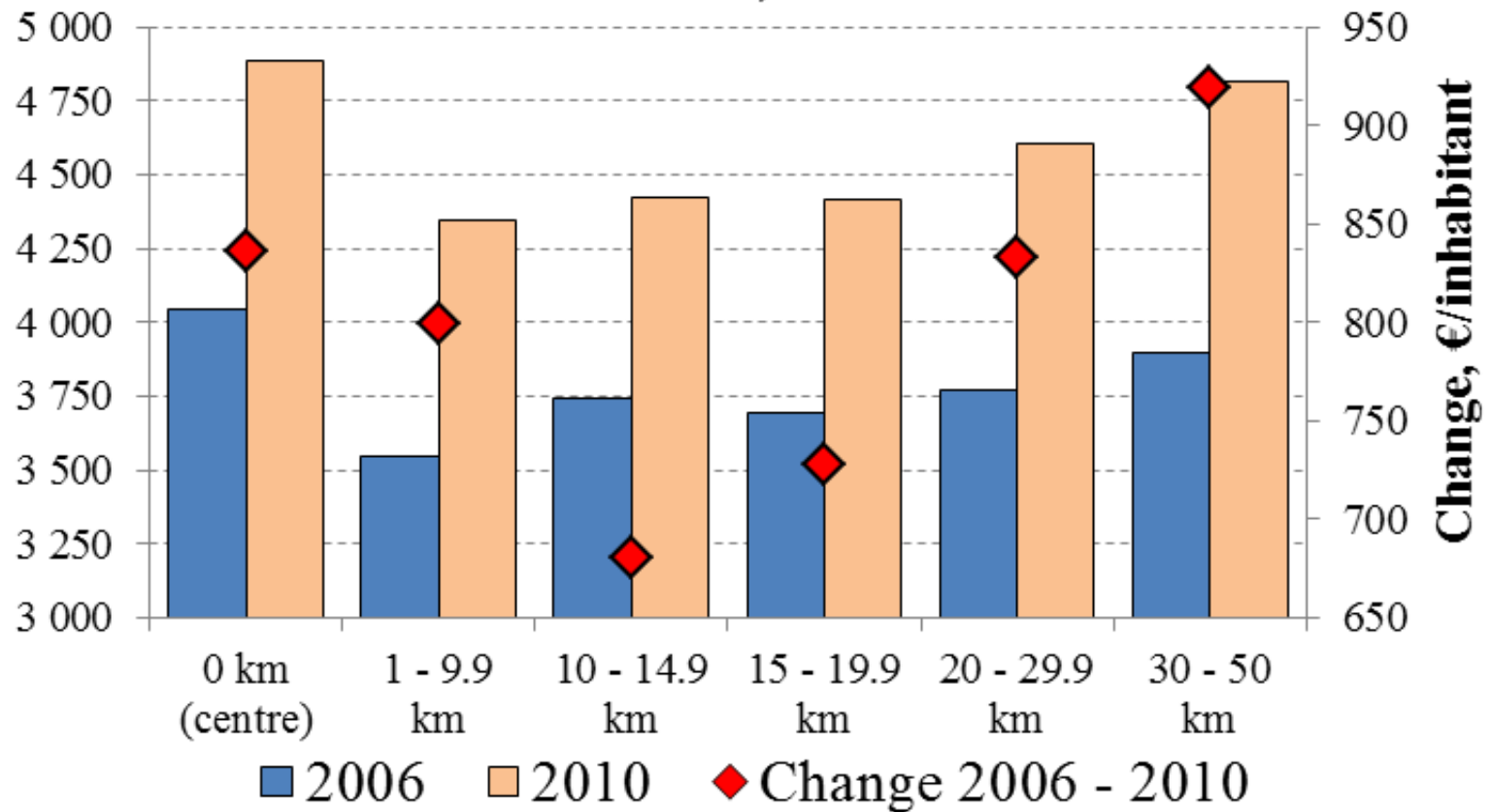
Total tax revenue 2006 and 2010, €/inhabitant



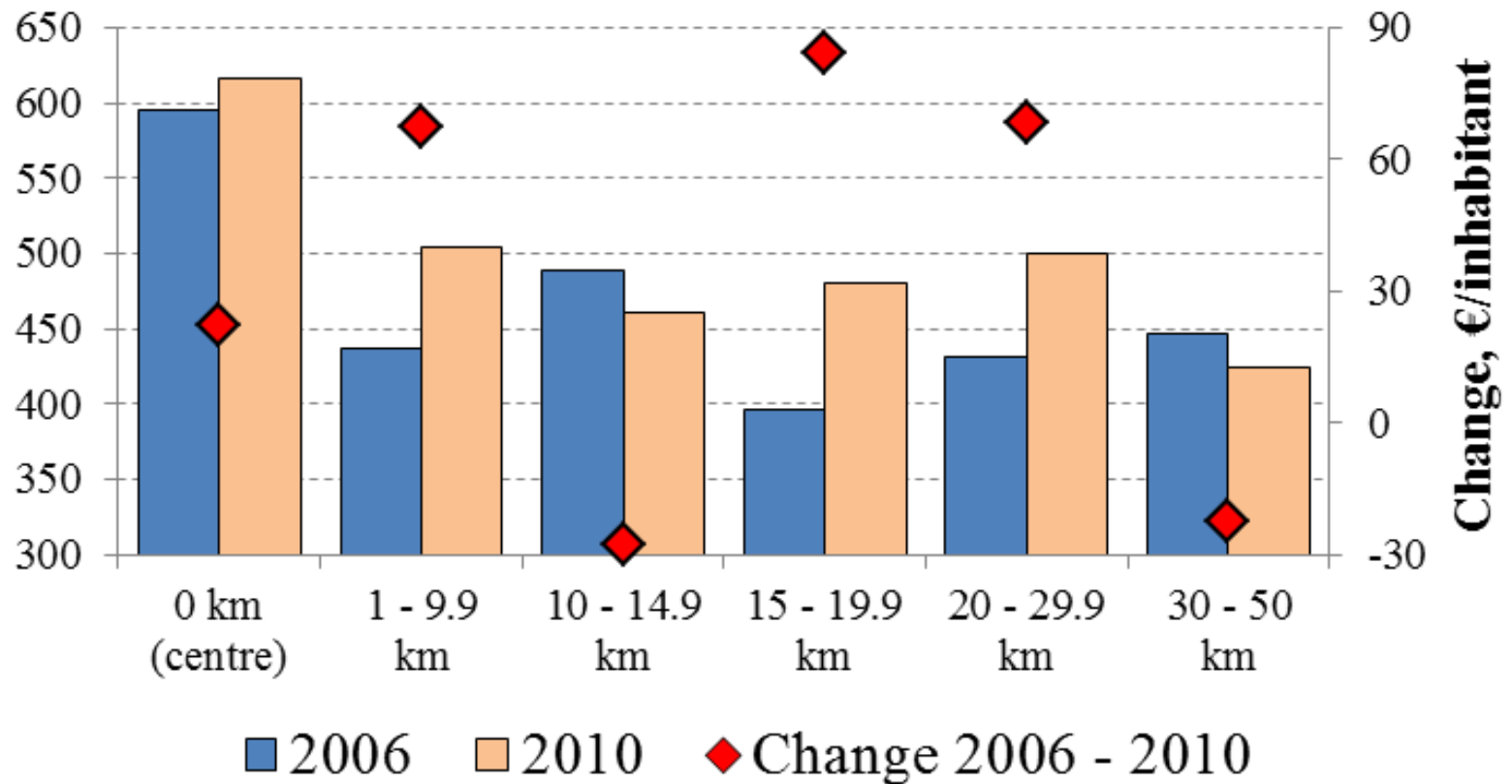
Social and health care costs 2006 and 2010, €/inhabitant



Net operating costs (total) 2006 and 2010, €/inhabitant



Investment acquisition costs 2006 and 2010, €/inhabitant



Conclusions

- The connection between distances and lower costs in urban regions can be seen as reaching out to about 15-20 km from the city centre. The costs resulting from the provision and organising of services (net costs, €/inhabitant) are lower in the inner ring municipalities than in central cities and outer ring municipalities (20-50 km).
- Accelerating development: The surrounding municipalities in the inner ring seem to benefit from their advantageous location more and more each year.
- Does this explain the economic rationale in decision making in municipalities in urban regions, where the surrounding municipalities in the “outer ring” are seen to be more willing to merge with the central city than the municipalities in the “inner ring”?
- The idea of a “geographically blind” economy of scale which encouraged municipalities to enter into voluntary mergers has produced fragmented municipal structures in urban regions as the outer ring municipalities merge with the central cities, and the inner ring municipalities remain outside the merged entity.
- There is an economic logic for municipalities behind this development.

Thank you!