

KRYSTIAN HEFFNER*, BRYGIDA SOLGA**

*POLISH ACADEMY OF SCIENCES IN WARSAW, *SILESIA INSTITUTE IN OPOLE

**TECHNICAL UNIVERSITY OF OPOLE

SMALL TOWNS AS LOCAL ECONOMIC CENTRES IN RURAL AREAS

ABSTRACT. Small towns play an important role in development of surrounding rural areas. Irrespectively of their size and the functional type of the centre, they integrate with their neighbourhood creating local economic zones. However, the integration indices are diversified for individual towns, and in particular, for various units participating in labour force, money, goods and services flows, i.e. non-agricultural and agricultural households, businesses and farms. An analysis of the economic behaviour of inhabitants of towns and of their rural surroundings, as well as of models of economic functioning of businesses, is of a great importance for evaluating the scope of integration of towns with their rural neighbourhood and for determining directions of local development.

KEY WORDS: small towns, rural areas, local development, local economic integration, local businesses, non-agricultural households, agricultural households, farms.

INTRODUCTION

Small towns play a special role in development of surrounding rural areas. They are places where the exchange between town inhabitants and inhabitants of rural areas is taking place. They constitute the market for goods and services produced in surrounding rural areas, offer jobs, education, supplies and recreation for rural population. The concentration of people and economic resources in towns constitutes a kind of a magnet assuring orientation of activities in surrounding territories (1). The bigger the town in direct vicinity of a rural gmina, the greater and more advantageous is its impact and a broader scope

of mutual relations. At the same time, potential chances of development and of an increase of socio-economic activity of rural populations become clearer.

Rural areas maintaining relations with big agglomerations using small towns as intermediaries have a more restricted access to development stimuli and chances offered by these agglomerations than those that lie in the immediate neighbourhood of cities. It means that a considerable part of activities related to contacts with big cities is performed and utilised in local centres. Small towns not only may act as intermediaries in development but also take over a majority of initiatives and activities emerging among rural inhabitants becoming places of their realisation (2).

On the other hand, the attractiveness of rural areas is increasing for inhabitants of nearby towns. This primarily applies to villages where urbanisation processes developed, where intensity of building and construction investments increases along with economic ventures and tourism and recreation.

Among characteristic features constituting a starting point for integration of towns with their rural surroundings, there are, first of all, the quality of the town space, the economic efficiency of local structures, the spatial accessibility and openness of the town pattern and functions performed by the town. Small towns are characterised by diversified links with their local economic zones and a diversified degree of adaptability to socio-economic growth. There are strongly locally integrated centres, usually advantageously placed in the regional and local area, attractive from the economic, tourist, housing points of view and strongly integrated with their surroundings. But there are also weakly integrated centres, or those not taking advantage of their development chances. Irrespectively of the degree of integration of towns with their rural surroundings, we should expect that small towns would demonstrate an increase of dynamics in development of their serving function towards their immediate background, thus gradually recovering their traditional reasons of existence (3).

THE SCOPE OF THE LOCAL FUNCTION OF THE CENTRE AND THE LINKS WITH RURAL AREAS

The functional typology is among the most popular forms of classification. Dominating functions in particular, like industrial, commercial, services, recreation, as well as seats of authorities, artistic life centres, etc. exert and impact on the image of the town, occupations of its inhabitants and its surrounding areas and are decisive for the orientation of its economic activity. The list of these functions is regularly lengthening along with evolution of the role of towns in the society (4). The main reasons for a diversification of functions are basic needs of the town inhabitants and visitors causing a considerable scope of functions forms.

The situation of towns in areas with domination of various functions, e.g. agriculture or tourist is a factor decisive for local development directions. We may analyse some of variants.

Small towns situated in agricultural regions constitute a specific economic pattern. Their principal function is thus granting services to rural areas (agriculture). However, it is not sufficient for development of such an economic pattern. First of all, rural areas do not generate demand sufficient for development of the town while, at the same time, the town constitutes a non-agricultural labour market for a part of rural areas inhabitants. If this labour market is insufficient, the whole local pattern is subject to stagnation, which favours persistence of agrarian overpopulation low incomes in agriculture per employee. Economic units oriented towards production of goods and services for the local market are situated in such a town. However, the demand on such a market is limited. A development may be then stimulated by appearance of economic units with a broad (more than local) impact. They would offer jobs (thus increasing demand) on the local market while their product would go to other (more distant) markets. Their role will consist in pumping money into the local turnover (through sales of products) and increasing the local demand (through offering jobs). The role of such centres for the local economy is increasing when they seek their raw materials on the local market and is diminishing when raw materials are imported from outside the local pattern.

The economic structure of small towns situated in the sphere of influence of big centres is of a special character. In the case of towns in an agglomeration, their local economic structure depends, to a considerable extent, from markets of the big city and this applies to all types of markets, i.e. labour, goods and services, housing and in the case of rural areas around small towns, also agricultural markets, fruit and vegetables in particular, and such agricultural products that can be retailed without processing (flowers, fruit, vegetables). The strength of dependence of a town situated within the sphere of influence of an agglomeration depends of the city in the centre and is the greater, the smaller is the distance from the centre and the smaller is the town.

There is still the tourist function. It is characterised by the fact that it creates jobs for inhabitants of the centre and its surroundings. Arriving tourists increase the demand for goods and services on the local market without offering any goods. In other words, the money spent by tourists flows to the local economy. Tourists do not increase the local supply, increasing the demand at the same time. The local economy characterised by such a function finds itself in a particularly advantageous situation.

Analyses concerning the role of small towns of various economic functions in the local economy spatial distribution of external sales and purchases markets and the scope of impact of businesses on the economy on the local scale are basic problems that stimulated international research conducted in rural areas (5).

Its main aim was:

- To evaluate the role of small towns in development of rural areas;
- To analyse flows of labour force, money, goods and services and the local demand between the town and the surrounding rural area and external areas;
- To analyse the size, the importance, the durability and the scope of economic links between the town and the surrounding rural background;
- To evaluate the degree of integration of these centres with rural areas.

The following quantitative and qualitative criteria were applied while selecting towns to be covered by the research (6):

- Quantitative criterion for small towns in two size groups
 - a) from 5 to 10 thousand inhabitants,
 - b) from 15 to 20 thousand inhabitants;
- Qualitative criterion
 - a) situation in areas dominated by the agricultural function,
 - b) situation in areas where the share of tourist function is higher than country average,
 - c) situation in close vicinity to a big agglomeration.

There are about 150 centres meeting the above criteria. The selection was effected with consideration given to regional pattern of distribution of towns and similarities to other centres in countries participating in the research. Finally, the following towns were selected:

- Ustroń (a bigger centre in the tourist zone),
- Duszniki Zdrój (a smaller centre with tourist function),
- Jędrzejów (a bigger centre in an agricultural region),
- Głogówek (a smaller centre in an agricultural region),
- Łask (a bigger centre in the vicinity of a big agglomeration),
- Ożarów Mazowiecki (a smaller centre in the vicinity of a big agglomeration).

ECONOMIC INTEGRATION OF SMALL TOWNS TO RURAL AREAS

Irrespectively of the size and the functional type of the surrounding rural area, small towns differently integrate local economic areas. It was proved that only small towns in areas with the dominating agricultural function are locally more strongly integrated. Both tourist towns and centres situated in the vicinity of a big agglomeration are definitely less locally integrated. It means that their economic links with their immediate rural neighbourhood are in fact insignificant for their economic development.

Both towns functioning in agricultural zones (Głogówek and Jędrzejów) are characterised by a relatively strong economic integration with their rural surroundings and in particular with farms and agricultural and non-agricultural households functioning there. The lower level of local integration manifested by non-agricultural

businesses results mainly from external (not local) co-operation and production links as they make their purchases mainly somewhere else in the country and also often in the closest regional centre. Spatial footprints of businesses from towns situated in agricultural regions go far beyond the local pattern. At Głogówek, nearly 50 per cent of the value of their products go to external markets (and not to the town and local villages) and at Jędrzejów it is nearly 70 per cent. There were no exports to foreign countries recorded Jędrzejów (in the selected sample of businesses), while at Głogówek 6 per cent of the value of output was exported.

On the other hand, both non-agricultural businesses and agricultural businesses (although the impact of the latter on the local labour market is insignificant as they do not generate new jobs) importantly integrate the local labour market and exert a considerable impact on patterns of spatial economic behaviour of households. Their members prefer purchases in the town or in the immediate neighbourhood. It seems that both "agricultural" towns prove to be quite effective in competition with their neighbouring towns integrating their local zone of influence. At Głogówek, the economic behaviour of non-agricultural and agricultural households differs considerably while at Jędrzejów they do not. However, indices of local and extended integration both in the sphere of purchases of higher order and lower order goods are high. Non-agricultural households supply themselves mainly in the town while agricultural households in their immediate neighbourhood.

Tourist centres in turn – Duszniki Zdrój and Ustroń – are relatively weakly integrated with their rural surroundings as their economic needs are being satisfied outside the local zone in nearby non-local centres. The weaker local integration of both towns can be also explained to a certain extent by their functioning in areas where a similar economic role (tourism, recreation, health resort, industry) is played by nearby towns and suburban zones. Thus, when the degree of local integration of non-agricultural and agricultural businesses of both towns is weak, local labour markets are definitely better integrated (outside and in agriculture) similarly to the economic behaviour of non-agricultural households which prefer decisively purchases in the town. On the other hand, farms and agricultural households situated nearby practically do not take advantage at all of the commercial and service potential of the town. These both towns visibly loose in competition with neighbouring towns of a more diversified structure (offering e.g. services for agriculture and rural population). Similarly to "agricultural" towns, indices of local and extended integration of households in purchases of both higher and lower order goods are high.

Both centres from suburban zones close to big agglomerations (Ożarów Mazowiecki and Łask) are relatively weakly integrated with their rural surroundings, especially as far as non-agricultural businesses are concerned. These businesses produce and grant services sell off on the local market (Ożarów Mazowiecki – 50 per cent, Łask up to 70 per cent) but they supply themselves nearly solely externally. Also, agricultural businesses and non-agricultural households are relatively

weakly locally integrated. At Ożarów Mazowiecki, only agricultural households are characterised by a very high local integration. Functioning of both towns in highly urbanised areas of big agglomerations integrates the local economy in an extended pattern, and therefore in respect of links with Warsaw (Ożarów) and with Łódź (Łask). The weaker integration of non-agricultural businesses is accompanied also by a relatively low integration of local labour markets and we observe a transfer of means outside the local zone through the intermediary of non-agricultural businesses. At Łask, both non-agricultural and agricultural households strongly integrate the local economy. At Ożarów, on the other hand, the economic behaviour of non-agricultural households manifests a preference for purchases outside the local zone. In competition with the nearby bigger towns and economic structures of the whole Łódź agglomeration, Łask plays an important role while Ożarów Mazowiecki is only of a complementary character in Warsaw agglomeration. Non-agricultural households supply themselves mainly in the city centre while agricultural households in their immediate neighbourhood, usually in markettown. There is also a difference between them in the ratios of purchases of higher and lower order goods in combination with a relatively big group of high income agricultural households which testifies about a stabilised situation in the local economy of Ożarów Mazowiecki.

THE IMPACT OF SMALL-TOWN BUSINESSES AND THEIR RURAL ENVIRONMENT ON THE LOCAL ECONOMY

The economic activity of small-town businesses is the base creating the local labour market for the population of the town. Some inhabitants of these towns also commute to work in rural areas. However, these jobs still are in the immediate neighbourhood. Very few inhabitants commute to some more distant places but we may observe that, in this case, their income is twice as high as the average income in the town. We may gather, therefore, that these persons are particularly qualified who are active in highly specialised narrow segments of labour market. Such dependencies do not apply to Ożarów Mazowiecki whose inhabitants consider the Warsaw labour market more important than the local one. Convenient transport connections with Warsaw cause that the town becomes a dormitory for persons employed in Warsaw (7).

At the same time a part of employees of businesses in towns commutes to work from other places. At Ożarów, among the employees in the town, there are more commuters coming from villages some 7-17 km distant than local inhabitants. A similar situation was recorded at Ustroń where there are more commuters employed in local businesses than town inhabitants.

The research confirmed to a considerable extent that local economic links of businesses functioning in towns covered by the research are weak first of all

in the sphere of purchases (8). While supplying the local market, they mainly utilise external potential. Local economic links of businesses functioning in towns are mainly weak in spite of the fact that they constitute an important labour market both for the town and the surrounding rural area population. Also, links between towns and farms and agricultural households are very weak both in the sphere of purchases and of sales.

Among the characteristic features of businesses under research, their size was of a particular importance. Very small businesses dominated in all towns and in their rural surroundings. Undoubtedly, this dominance exerts an impact on other characteristics of these centres. The quantitative dominance of businesses employing less than 5 persons is of a special importance while determining main functions developed in individual towns. The commercial and service function decisively dominates in all centres. The share of production function is very small which makes these towns similar to each other irrespectively of their spatial situation. This domination is of a quantitative character. However, the economic structure of businesses in towns under research is more diversified and complicated.

Similarly, the size of farm measured by the number of employees is of the same importance. The characteristic feature that diversifies rural areas surrounding individual towns was the share of income achieved outside agriculture. Towns covered by the research manifest a considerable diversification in this respect, although this share is meaningful in all of them.

FINAL CONCLUSIONS

Irrespectively of the size and functional type of towns and their rural surroundings, small towns integrate local economic zones to a diversified degree. The research results confirmed to a great extent that the towns under research at least initiated the process of local economic integration. However, indices of this integration are so diversified among these centres and among individual subjects in particular, i.e. agricultural and non-agricultural households, businesses and farms.

Research results induce the following conclusions:

- Only small towns situated in areas with dominating agricultural function are more strongly locally integrated while tourist towns and towns situated close to big agglomeration are definitely less integrated locally;
- Among the subjects under research, the highest integration indices apply to purchases of goods and services of lower and higher order undertaken by members of non-agricultural and agricultural households;
- Local integration indices for businesses, and first of all for their purchases are low in general. Their specialised needs in particular are satisfied in more distant and bigger centres;

- Also the level of participation of farms in the local economic integration is low. Differently from subjects discussed earlier, farms effect purchases of their means of production and of services in the immediate neighbourhood, while sales of agricultural products effected mainly by big farms are less pronounced in the closest areas;
- Such a way of functioning of subjects under research in the sphere of monetary flows, as well as flows of goods, services and of local demand does not create a sufficiently strong foundation for the local economic integration. The low level of this phenomenon among agricultural and non-agricultural businesses in particular is the consequence of functioning of competitive service, commercial, industrial, tourist and educational centres in the neighbourhood and of already established external co-operation and production links of businesses;
- Till now, the element most strongly integrating the local economy in the strongest way are labour markets in a majority of towns under research and the labour force flows between these centres and their immediate neighbourhood. The functioning of the local labour market is undoubtedly an important factor of economic development. However, its further effective functioning is possible only with a simultaneous joint appearance of the remaining elements, e.g. development of small and medium size enterprises.
- Small towns with their surrounding rural areas possess development potential based on the one hand on relatively strong external economic links and strong integrated local labour markets. Undoubtedly, it is necessary to influence businesses functioning in towns and in the neighbourhood in order to increase the scope of their local links so that they could exert a stronger impact on development of the local economy;
- At least of the indicated interdependencies between functioning of the local economy and the economic behaviour of inhabitants and of certain economic units in zones of links of towns under research are not fully realised by local politicians and activists engaged in socio-economic development. Undoubtedly, the knowledge of economic behaviour of inhabitants of towns and of its rural surroundings, as well as of functioning patterns of agricultural and non-agricultural businesses could be of a great importance for evaluation of the degree of integration of these centres with rural areas and determination of local development directions.

NOTES

- (1) Cf. Heffner, K. 2001: Problemy zagospodarowania przestrzeni miejskiej (Problems of Urban Space Development). In Klasik, A. and Kuźnik, F. editors, *Zarządzanie strategiczne rozwojem lokalnym i regionalnym*, Wyd. Akademii Ekonomicznej

- w Katowicach, Katowice, pp. 27-37; Czornik, M. 2004: *Miasto. Ekonomiczne aspekty funkcjonowania* (A Town. Economic Aspects of Functioning), Wyd. Akademii Ekonomicznej w Katowicach, Katowice, pp. 9-14.
- (2) Cf. Heffner, K. 2002: Rola małych miasteczek w rozwoju terenów wiejskich (The Role of Small Towns in Development of Rural Areas), In Kłodziński, M. and Fedyszak-Radziejowska, B. editors, *Przedsiębiorczość wiejska w Polsce i krajach Unii Europejskiej* (Rural Entrepreneurship in Poland and in European Union Countries), Institute of Rural and Agricultural Development of the Polish Academy of Sciences (IRWiR-PAN), Warszawa, pp. 74-77.
- (3) Cf. Kwiatek-Sołtys, A. 2005: Małe miasta Województwa Małopolskiego na przełomie XX i XXI w. (Small Towns of Małopolskie Voivodship and the Turn of the XX-th and XXI-st Centuries), In Heffner, K. and Marszał, T. editors, *Problemy rozwoju małych miast w wymiarze lokalnym i regionalnym* (Problems of small towns development at the local and regional level), *Biuletyn KPZK PAN*, vol. 220, Warszawa, pp. 194-202.
- (4) According to Czornik M., *op. cit.*, p. 27.
- (5) The research programme entitled *The Role of Small and Medium Size Towns in Development of Rural Areas* conducted by the Institute of Rural and Agricultural Development of the Polish Academy of Sciences in 2002-2004 (under supervision of Prof. K. Heffner, DSc.) constituted a part of an international programme implemented in five European countries (along with Poland, there were Portugal, France, the Netherlands and the United Kingdom). The research results and conclusions can be found in Heffner, K., Rosner, A. and Czarnecki, A. 2004: *Contribution to Final Report „The Role of Small and Medium Size Towns in Rural Development in Poland”*, IRWiR PAN, Warszawa.
- (6) For a detailed description of the research methodology see: Errington, A. 2002: Developing Tools for Rural Development: A Multidisciplinary Research Agenda, In A. Arzeni, A., Esposti, R. and Sotte, F. editors, *European Policy Experiences with Rural Development*, Wissenschaftsverlag Vauk Kiel KG, Kiel, pp. 19-42; Errington, A. and Courtney, P. 2000: *Tracing the „economic footprint” of market towns. A methodological contribution to rural policy analysis*. Contributed paper prepared for the Agricultural Economics Society Conference, Manchester 14-17 April 2000; Errington, A. and Courtney, P. 1999: *The role of small towns in rural development: A preliminary investigation of some rural-urban economic linkages*. Paper presented to European Association of Agricultural Economics Annual Conference, Warsaw 24-28 August 1999.
- (7) It is important to add that the research was conducted after closing down (in 2003) the biggest industrial plant in Ożarów (cable factory) and the situation on the labour market was far from stable. This could have an impact on research results.
- (8) Cf. Heffner, K. and Czarnecki, A. 2005: Małe i średnie miasta w lokalnych i regionalnych strategiach rozwoju (Small and Medium Size Towns in Local and Regional Development Strategies), In Heffner, K. and Marszał, T. editors, *Problemy rozwoju małych miast w wymiarze lokalnym i regionalnym* (Problems of Small Towns Development at the Local and Regional Level), *Biuletyn KPZK PAN*, vol. 220, Warszawa, pp. 37-51.

REFERENCES

- Czornik, M.** 2004: *Miasto. Ekonomiczne aspekty funkcjonowania* (A Town. Economic Aspects of Functioning). Katowice: Wydawnictwo Akademii Ekonomicznej.
- Errington, A. and Courtney, P.** 2000: *Tracing the „economic footprint” of market towns. A methodological contribution to rural policy analysis*. Contributed paper prepared for the Agricultural Economics Society Conference, Manchester.
- Errington, A. and Courtney, P.** 1999: *The role of small towns in rural development: A preliminary investigation of some rural-urban economic linkages*. Paper presented to European Association of Agricultural Economics Annual Conference, Warsaw.
- Heffner, K.** 2002: Rola małych miasteczek w rozwoju terenów wiejskich (The Role of Small Towns in Development of Rural Areas). In Kłodziński, M. and Fedyszak-Radziejowska, B. editors, *Przedsiębiorczość wiejska w Polsce i krajach Unii Europejskiej* (Rural Entrepreneurship in Poland and in European Union Countries). Warszawa: Polish Academy of Sciences, Institute of Rural and Agricultural Development, pp. 74-101.
- Heffner, K. and Czarnecki, A.** 2005: Małe i średnie miasta w lokalnych i regionalnych strategiach rozwoju (Small and Medium Size Towns in Local and Regional Development Strategies). In Heffner, K. and Marszał T. editors, *Problemy rozwoju małych miast w wymiarze lokalnym i regionalnym* (Problems of Small Towns Development at the Local and Regional Level), *Biuletyn KPZK PAN*, vol. 220, Warszawa, pp. 37-50.
- Heffner, K., Rosner, A. and Czarnecki A.** 2004: Contribution to Final Report „*The Role of Small and Medium Size Towns in Rural Development in Poland*”, Institute of Rural and Agricultural Development of the Polish Academy of Sciences, Warszawa.
- Kwiatk-Sołtys, A.** 2005: Małe miasta województwa małopolskiego na przełomie XX i XXI w. (Small Towns of Małopolskie Voivodship and the Turn of the XX-th and XXI-st Centuries). In Heffner, K. and Marszał T. editors, *Problemy rozwoju małych miast w wymiarze lokalnym i regionalnym* (Problems of small towns development at the local and regional level). *Biuletyn KPZK PAN*, vol. 220, Warszawa, pp. 194-203.

CORRESPONDENCE TO:

Krystian Heffner
Institute of Rural and Agricultural Development Polish Academy of Sciences
ul. Nowy Świat 72, 00-330 Warszawa, Poland
and
Silesian Institute in Opole
ul. Piastowska 17, 45-081 Opole, Poland
[e-mail: heffner@ae.katowice.pl]

SMALL TOWNS AS LOCAL ECONOMIC CENTRES IN RURAL AREAS

Brygida Solga
Faculty of Management and Production Engineering
Technical University of Opole
ul. Waryńskiego 4, 45-047 Opole, Poland
[e-mail: brygidasol@wp.pl]

