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SUSTAINABLE WELFARE IN A REGIONAL CONTEXT

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SEINÄJOEN AMMATTIKORKEAKOULU
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| INTRODUCTION

DIMENSIONS OF WELFARE

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This publication, "Sustainable Welfare in a Regional Context," consists of nine articles written by scholars and researchers from four different countries: Estonia, Finland, Greece, and Poland. Most of the authors have been cooperating within the European Network of Territorial Intelligence, which gathers scholars from different disciplines for its seminars and conferences. The network has offered a chance to exchange ideas about regional welfare.

Within the European Network of Territorial Intelligence, regional welfare is approached from various perspectives: geography, economics, sociology, social policy, and technology. Scholars have tried to find innovative solutions for communities that are struggling with the current economic and social challenges. In the Network, a multidisciplinary approach and collaboration are seen as key elements for finding future solutions for communities. In this sense, the seminars and conferences of the Network of Territorial Intelligence have offered a starting point for this publication. However, this publication is an independent result of cooperation among the authors.

Economic and social dimensions of welfare. Welfare issues are typically examined by comparing different national situations. In this publication, these questions are approached in a regional context. The core questions are: What are the current challenges of regional welfare and what is a proper way to produce sustainable welfare in regional contexts?

Regional welfare can be approached from various perspectives. It is often argued that the economy is a base for sustainable welfare. Economic activity creates welfare; thus, for example, European governments have tried to find ways to create attractive environments for enterprises. In this sense, entrepreneurship is seen as a key element for creating national growth. Also, regional governments and public bodies have tried to support economic activities. For instance, clusters are seen as a way to create an innovative environment and an example of cooperation between various actors to boost economic and social development. Few people today question that business networks, and in particular clusters, are an important element for economic reality—responsible for the competiveness of regions and countries. Enterprises that operate within clusters are more innovative, more often offer new products, and increase regional wellbeing. Research conducted by the European Commission has indicated that there is strong correlation between the existence of clusters and the level of per capita income as well as the innovativeness of a region; the stronger the clusters are in a given region, the stronger this correlation (European Commission 2007, 2009). The more economic activities and resources a region has, the more welfare it can create.

Along with the resource view, welfare can also be approached from the needs view. The welfare states have tried to solve the tension between economic and social aims by different means. Traditionally, welfare states have been divided into three welfare regimes (Esping-Andersen 1990). The corporatist continental regime is organized on the basis of social security. The liberal Anglo–Saxon regime is financed by taxes and incorporates residual services and benefits. The social-democratic Nordic regime is premised on the combination of universal social security and services financed by taxes. Often also a fourth model can be added to this—the familialistic Mediterranean regime, which is characterized by the central role of family and its interpenetration in all areas of welfare production and distribution (Moreno 2010). All in all, the European welfare states have tried to find a solid way to redistribute the wealth. Some of them have emphasized economic factors rather than social factors and vice versa.

Over the past two decades, the European regions have experienced economic challenges. The recent crisis has increased the level of unemployment in many countries and regions. At the same time, European nations are also among the most rapidly aging countries in the world. Europe, as well as the rest of the world, faces growing environmental problems, such as deforestation, global warming, and common pollution, which require urgent attention. Such challenges have created a threat to the public finance sustainability gap and have raised worrying questions concerning the future of the European welfare states. The difficulties are viewed as a threat to competitiveness, which has forced the public sector to re-evaluate its functioning from an economic perspective. In this sense, it is necessary to approach welfare from both perspectives, from an economic view and a social view.

Regional perspective. In academic discussions, it is asked, what are the current transitions with which welfare structures are concerned? At least four different transitions, from the national level to the regional level, can be seen:

First, welfare issues have typically been on the agenda of national governments, but it is assumed that more power will be handed down to the regional level. If the trend is the transition from the welfare state to the welfare society, it means that the regional context will be emphasized in the future (Ewijk 2010).

Second, it has been possible to see a transition toward a mixed economy of welfare, which consists of public, private, and third sectors. Under the current challenges of the welfare structure, it is necessary to re-evaluate the borderlines between public and private welfare responsibilities.

Third, it has been possible to see a transition from old social risks to new social risks. Social risks, such as poverty due to retirement, unemployment, or illness, are covered by various schemes of the traditional welfare state: pensions, unemployment, and health insurance. However, new social risks emerge from the transformation of labor markets (low- or underpaid work, working poor) and changes in demography. Such restructuring of labor markets and simultaneous transformations in family structures and demography create great challenges to both social care arrangements and income security.

Fourth, it has been possible to see a transition from formal welfare structures to flexible networks of wellbeing. The research task is focused on networks (science, business, society) that can support socio-ecological transition. Employers and corporations, and also scientists, can develop important roles in the implementation of innovative programs that cover new economic, ecological, and social risks. Cooperation (partnership) will be a key element.

Structural welfare reforms are on the top of the political agenda. National governments are facing a large deficit in the upcoming years. The problem is complicated: how to maintain welfare state commitments, ensure fiscal consolidation, and support innovations for a green economy. It is assumed that more responsibility will be removed to the regional level.

Structure of the book. This publication consists of four parts: regional analysis, cluster analysis, entrepreneurship, and social welfare. The articles are based on different kinds of empirical analyses in regional contexts. Sustainable welfare is approached from the resources or needs perspective.

The first part of the publication consists of regional analysis. It includes two articles, which are based on empirical and comparative analyses of different regions. Sławomira Kańduła writes about fiscal inequalities among the Polish regions and tries to identify ways to reduce differences between the regions. Helene Haniotou and Rena Klabatsea analyze the Greek regions, where the economy is based on tourism. They examine how sustainable welfare can be produced in the regions, which survive mainly on seasonal (generally summertime) tourism and are literally deserted in winter.

The second part of the publication is focused on cluster analyses. Regional clusters can be seen as an alternative way to support regional development policy along with more direct objectives, such as raising productivity, boosting innovation, and readdressing market failures. Marta Śmigla examines "agri-food" clusters in German, Finnish, and Polish regions, and Maciej Pietrzykowski analyzes the managerial competencies of cluster's coordinators in Poland and Lithuania to find ways to strengthen cluster performance.

The third part of the publication emphasizes the importance of entrepreneurship in creating sustainable welfare. The section consists of two articles: Adrianna Lewandowska and Alicja Hadryś-Nowak write on the socio-economic importance of family businesses and remind us that in the European Union family, businesses employ roughly 40%–50% of the labor force. Airi Noppel examines the development and growth of creative entrepreneurs in Estonia, which is a future potential business area.

The fourth and last part of the publication consists of three articles focused on social welfare. European countries are facing a huge aging problem that requires the governments to respond to it. Lina Van Aerschot and Minna Zechner compare Danish, Finnish, Norwegian, and Swedish elderly care within the Nordic welfare model. The research on welfare typologies has mostly focused on differences between the typologies; in comparison, much less research has been done on differences inside the typologies, as is done in Van Aerschot's and Zechner's article. Kandela Õun and Anne Rähn continue the same theme trying to find effective ways to prevent the social exclusion of elderly people in Estonia. Timo Toikko and Teemu Rantanen examine young peoples' subjective wellbeing in the region of Etelä-Pohjanmaa in Finland.

We hope that this publication will be useful for several audiences: researchers focused on the economic wellbeing and welfare state and those examining economic and social policy; policy makers looking for new inspiration or explanations for a post-crisis paradigm for recovery throughout the world; and finally for the community members simply trying to find some new ways to understand the world in which we live.

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II REGIONAL ANALYSIS

REDUCING INTERREGIONAL FISCAL INEQUALITIES - POLISH DILEMMAS AND EXPERIENCES

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INTRODUCTION

One of the conditions for a regional government to operate and for the needs of a regional community to be fulfilled is providing regions with sufficient revenues so that they can perform their tasks. From the perspective of financial self-efficiency of the units of regional self-government, the most important are their own revenues. Both the revenues and expenditure needs of regional communities vary greatly as they depend, among other factors, on the political and economic situation of particular regions. The discrepancies in regions' own revenues and expenditures defined as interregional inequalities are a natural consequence of the process of decentralisation but excessive differences are not desired as they are against the principle of solidarity (horizontal justice).

Reducing interregional inequalities takes place through various transfers from various public funds constituting an equalisation mechanism. In a broader sense, this mechanism in Poland consists of a general subsidy and grants for eligible provinces - from the national (central) budget, the budgets of other provinces and other public sources. In a narrower sense, the term refers only to the obligatory transfers between the budgets of provinces, i.e. equalisation payments and the part of the regional general subsidy constituted from them. The scope of this paper is limited to the equalisation mechanism in the narrower sense, i.e. the horizontal (interregional) compensatory mechanism.

The issue of reducing interregional inequalities is part of the broader issue of increasing the economic and social well-being of the European Union's regions, because the financial situation of these self-government units has an impact on the level at which they fulfil the needs of their regional communities. Satisfying these needs should be in accordance with the concept of sustainable development[1]. Sustainable development at the regional level is closely linked to their socio-economic development and competitiveness. The objective of sustainable development policy at the regional level is the implementation needs of the residents of the region, improvement the quality of their life, reduction poverty and social exclusion with respect for natural resources and in accordance with the principle of intra- and intergenerational justice. The excessive fiscal differences between the regions are in conflict with the concept of sustainable development and therefore the goal should be the equalisation (in practice – reduction) of interregional disparities.

The existence of horizontal equalisation mechanisms is a response to the postulate included in the European Charter of Regional Self-Government which says: "The principle of solidarity necessitates the introduction, within each State, of a financial equalisation mechanism taking account of both the potential resources and the needs of regions, with the aim of harmonising the living standard of inhabitants of the different regions."

In recent years the construction of the horizontal equalisation mechanism in Poland has been criticised by representatives of local self-governments. Controversies related to it concern, among other issues, the scale and results of reducing inequalities at the regional self-government level. The aim of the article is to present Polish experiences in reducing interregional inequalities and dilemmas related to this issue, as well as the evaluation of the horizontal equalisation mechanism from the perspective of the principle of financial independence and the principle of solidarity. The article presents reasons for the attempts at the reduction of interregional inequalities; it also includes a critical analysis of the construction of the equalisation mechanism aimed at reducing these inequalities in Poland and the scope of redistribution of public revenues among local self-government provinces (the highest level of local self-government units; regions), taking into account the Mazowieckie Province.

[1] The sustainable development is defined as one in which the needs of the living generation are met without compromising the ability to meet the needs of future generations. The concept of sustainable development is complex and we can indicate its environmental, economic, institutional, political and social aspects. The policy of sustainable development is conducted at international, national, regional and local levels (Estes 1993, 1–29).

TYPES OF INTERREGIONAL FISCAL INEQUALITIES AND REASONS FOR REDUCING THEM

The fiscal inequalities between regional self-government units (horizontal, inter-regional inequalities) are discussed in the context of the phenomenon of horizontal imbalance. These inequalities mean excessive - from the perspective of the state and the units themselves – discrepancies between own revenues (revenue-earning capacities) of regions and discrepancies in the magnitude of expenditures made to finance needs per capita desired by regional communities.

The existence of differences in the revenue-earning capacities depend both on factors independent from local self-government authorities (natural and spatial) and regional preferences concerning such issues as the construction of public levies and other own revenues (if regions have the freedom with this respect). The discrepancies in the expenditures on own tasks per capita stem from the differences in the number of regional public services offered in various regions and differences in the costs incurred in order to provide them. The differences in needs are determined first of all by socioeconomic and demographic factors, while differences in costs – by physical factors (spatial and geographical). The differences in the needs of regions translate to the amounts of their expenditures on social tasks, whereas differences in costs – on technical infrastructure tasks. The differences in the magnitude of expenditures influence the regions' demand for financial resources, i.e. their expenditure needs.

While the existence of horizontal inequalities is a natural phenomenon, they should be reduced through a system of transfers, because otherwise they may lead to the ineffective allocation of mobile productive factors. At the same time, excessive equalisation can also hinder the effective allocation of these factors. In the European Union, differences between regions in countries are so significant that states seek to reduce them through establishing compensation mechanisms. One of the basic sources of regions' revenues are therefore transfers from the central budget and other public sources.

There are several reasons for reducing horizontal fiscal inequalities[2]. Providing regions with the same sources of own revenues does not guarantee adhering to the principle of solidarity (horizontal justice) as these units vary with respect to such factors as: size, population, level of infrastructure development and economic potential, and as a consequence – they are different with respect to their own revenues, needs, incurred costs and expenses (Boadway and Shah 2009, 323). The finances of regions are therefore characterised by Horizontal Fiscal Imbalance. The notion refers to the discrepancies in own revenues of regions leading to discrepancies

[2] The aforementioned are not all the reasons for subsidising regions from public funds.

in their capabilities to perform public tasks (Bird 2006, 85) and to disparities with respect to the extent to which the needs of regional communities are fulfilled in different regions. In the countries where the tasks of regions are unified (like in Poland), the differences in the capabilities to finance them stem not only from the differences in the economic potential but also from historical, social, cultural and political factors. Without equalisation transfers it would be impossible to eliminate (in practical terms – to reduce) this imbalance, as no matter how carefully the distribution of tasks and public revenues is conducted, sooner or later there will be no synchronization of streams of budgetary expenditures and revenues of regions. According to Blöchliger and Petzold (2009, 12), the more significant the financial independence of regions the more inequalities between them arise, which leads to increased fiscal equalisation efforts on the part of the state. This imbalance justifies equalising own revenues between regions, especially in the process of horizontal redistribution, as a long term lack of such redistribution is not conducive to economic efficiency and weakens the principle of solidarity. Reducing horizontal inequalities is the most important aim of subsidising regions (Boadway 2007, 59).

These inequalities are reduced because some tasks result in externalities. They arise when the scope of consumption of regional public goods exceeds the borders of the region which finances them or when non-residents use services provided by a given region without participating in their funding. In such situation, the region providing services may ignore the accompanying externalities and allocate insufficient resources for them. Subsidising regional goods which cause externalities makes it possible to increase their supply and at the same time – to strengthen positive externalities (Kitchen and Slack 2006, 133) or, in the same way, to decrease the supply of goods which are accompanied by negative externalities.

Another reason is no efficiency of localisation decisions (Boadway and Shah 2009, 325–326). The existence of inequalities creates impulses for the inhabitants of the region and economic entities located in it to relocate to these regions where the net tax benefits are higher. It may be assumed that migrations which are not due to searching for better labour efficiency and higher salaries but better tax benefits cause location inefficiency and justify subsidising regions in which these benefits are lower.

Subsidising regions makes it also possible to provide all inhabitants with the minimum standard of public services and stimulate the supply of merit goods (Boadway and Shah 2009, 327). A desire to equalise this standard due to the state's social policy priorities and the need for this equalisation is derived from decentralization. The higher the level of decentralisation and the greater the independence of regions, the more willing they are to lower the standard of services and resign from providing certain services. Equalising the standard of services contributes to increasing the efficiency of market economy and is in compliance with the principle of solidarity (Boadway and Shah 2009, 327–328).

Subsidising regions means that they take part in the redistribution of public funds. The redistribution of public funds between the central budget and the budgets of the regions takes place through vertical redistribution and between the budgets of the regions – through horizontal redistribution (interregional). A feature of the interregional redistribution is that the effect of partial equalisation of revenues is achieved through resources transferred from relatively wealthier regions and not the central budget. The horizontal redistribution and its aim are similar to the vertical redistribution, although sometimes it is indicated that the horizontal redistribution is used to increase the amount of resources earmarked for equalising transfers for poorer regions and reducing the compensating expenses of the central budget (Borodo 2004, 161).

The mechanism of horizontal redistribution arouses controversies both in theory and practice. They concern many issues, including its purpose and the instruments of scale. One manifestation of these controversies is calling the equalisation transfer “the Robin Hood tax”. The horizontal redistribution is justified by social justice – the pursuit of the principle of solidarity and equal access to regional public services. Its opponents point to potential losses in the efficiency of regional economy. This redistribution may impede the efficient allocation of resources and discourage regions from stimulating economic growth. The negative impulses may affect both active and passive participants of the redistribution (the wealthier regions which transfer part of their revenues to the poorer regions and the poorer regions which receive this support). A well-construed redistribution mechanism must be based on a compromise between justice and efficiency, i.e. equalising payments may not be excessive. Sometimes participant of the discussion about the sense of horizontal redistribution adduce to ethics and ask the following questions: Is it ethical to deprive of revenues regions which put more effort in generating them? Is it ethical to let citizen receive regional public services of various quality depending on where they live?

GENERAL CHARACTERISTIC OF SELF-GOVERNMENT PROVINCES IN POLAND

The local self-government on the regional level was established in Poland as of January 1, 1999. Then, 16 self-government provinces were created (and this number appears necessary, although there have been attempts to create two new units). The legislative and controlling organ of a self-government province is the provincial assembly (sejmik), whereas the executive organ is the provincial executive board (zarząd województwa) chaired by the marshal (marszałek). Provincial government: 1) performs public tasks specified in statues on its own behalf and responsibility, 2) manages the provincial property, 3) manages finances under its own budget (Act of June 5, 1998, Art. 6).

The tasks of provinces include regional issues not reserved for the organs of the national government. The scope of activities of provinces (województwa) does not interfere with the tasks of districts (powiaty) and communes (gminy). The provincial self-government conducts the province development policy, performs economic tasks, mostly in the field of public utility. These include mostly the following issues: public education, including higher education, health care and education, culture and heritage conservation, social welfare, family policy, physical culture and tourism. Few of their tasks are related to technical infrastructure (public transport, public roads, modernisation of rural areas). Provincial self-governments are also responsible for issues in the fields of defence, spatial order and environmental planning, public safety and water management, including flood protection. Their tasks include also activities aimed at counteracting unemployment and activating the local labour market as well as the protection of consumer's rights, etc. (Act of June, 5, 1998, Art. 14).

The activities of self-government provinces are financed from their own resources, the general subsidy and grants from the national budget. Provinces can also collect resources from foreign sources (which are non-refundable), including the European Union funds; apart from that, they can incur liabilities. Provinces' own revenues include: 1) revenues from taxes: the share of 1.60% in the proceeds from the personal income tax (PIT) from the payers of this tax which are inhabitants of a given province, the share of 14.75% in the proceeds from the corporate income tax (CIT) from payers of this tax with registered offices in a given province; 2) revenues generated from the properties of the province; 3) other revenues (Act of 13 November 2003, Art. 3 and 6).

Provinces vary significantly with respect to the number of people, area, terrain, the needs of the regional community, revenues, costs and expenses incurred to finance their own tasks, etc. (Table 1).

STATE'S EQUALIZATION POLICY DILEMMAS IN RELATION TO SELF - GOVERNMENT PROVINCES AND HORIZONTAL EQUALISATION MECHANISM IN POLAND

The reduction of fiscal discrepancies between provinces is an element of the financial policy of the state so it should be well justified – both theoretically and practically – with clearly formulated, mutually consistent goals and tools used to achieve them. A precondition of an efficient equalisation policy is, on the one hand, acknowledging the dilemmas of politicians, and on the other hand – working out necessary compromises between the theory and the practice. The dilemmas concerning the equalisation mechanism may be summarised in the following questions. Is it appropriate to reduce fiscal disparities between provinces? If yes – what kind of disparities should be reduced? To what extend should they be reduced, i.e. what should the standard be? How much should be earmarked for the equalisation (and where should the resources come from)? What criteria should be applied to select the provinces to receive the transfers and the provinces to make the equalisation payments? What tools to use to conduct the equalisation policy and how to construct them? How to organise the flow of financial resources? Can the construction of the compensation mechanism be changed in extraordinary situations (natural disasters, crises)? Who should solve these dilemmas (only the state, the state in cooperation with local self-governments, an independent commission?) These dilemmas are at the same time ethical, political, economic and systemic.

Table 1. Selected characteristics of self-government provinces in 2011
a) As of 31 December 2011, b – at current prices, c – relation to the national average.
Source: (GUS 2012, 606, 607, 634).

Name	Area		Population		Revenues per capita (in million PLN)			Expenditures per capita	GDP[b] per capita (2010)	
	in km2[a]	position in the country	in thousand[a]	position in the country	total	own	tax	total	in PLN	Poland = 100[c]
Poland in total	**312679**	**x**	**38538.7**	**x**	2.26	0.17	**138.60**	**0.42**	**37096**	**100.0**
Dolnośląskie	19947	7	2916.6	5	1.92	0.22	154.58	0.52	41750	112.5
Kujawsko-pomorskie	17972	10	2098.4	10	3.33	0.11	95.10	0.37	31107	83.9
Lubelskie	25122	3	2171.9	8	4.42	0.09	66.13	0.41	25079	67.6
Lubuskie	13988	13	1023.2	15	3.27	0.15	84.86	0.49	31348	84.5
Łódzkie	18219	9	2533.7	6	2.26	0.14	120.91	0.38	34180	92.1
Małopolskie	15183	12	3346.8	4	2.49	0.16	112.45	0.42	31501	84.9
Mazowieckie	35558	1	5285.6	1	1.38	0.34	327.01	0.49	60359	162.7
Opolskie	9412	16	1014.0	16	3.49	0.13	113.12	0.48	29498	79.5
Podkarpackie	17846	11	2128.7	9	3.86	0.11	69.41	0.45	24973	67.3
Podlaskie	20187	6	1201.0	14	4.53	0.09	76.77	0.43	26985	72.7
Pomorskie	18310	8	2283.5	7	2.14	0.18	96.40	0.42	35597	96.0
Śląskie	12333	14	4626.4	2	1.81	0.16	114.82	0.31	39677	107.0
Świętokrzyskie	11711	15	1278.1	13	3.18	0.13	103.63	0.41	28134	75.8
Warmińsko-mazurskie	24173	4	1452.6	12	4.12	0.09	62.53	0.40	27228	73.4
Opolskie	29826	2	3455.5	3	1.90	0.19	143.28	0.39	38629	104.1
Zachodniopomorskie	22289	5	1722.7	11	3.61	0.12	38.91	0.49	32268	87.0

In accordance with the provisions of the European Charter of Regional Self-Government, it has been assumed that the goal should be the equalisation (in practice – reduction) of interregional disparities. In Poland, the mechanism reducing these disparities has been used since 2004.

The mechanism involves equalisation payments made by the wealthiest provinces to the central budget and the regional part of the general subsidy financed from these payments [3]. It is a self-financing mechanism, i.e. the payments are the only source of the aforementioned part of the general subsidy and the central budget acts only as an intermediary transferring the resources between the provincial budgets.

The regional part of the general subsidy for provinces equals the total amount of the contributions made by provinces whose tax revenues per capita ratio (W) exceeds 110% of the ratio of tax revenues per capita for all provinces (Ww). The ratios are calculated on the basis of revenues from shares in PIT and CIT.

[3] Apart from the regional part of the general subsidy, all provinces receive the educational part of this subsidy, and some equalisation part (depending on their tax revenues).

The regional part of the general subsidy is divided into provinces; this is done taking into account 5 different criteria. An amount constituting 20% of the regional part is divided among provinces in which the unemployment rate exceeds 110% of the average unemployment rate in the country. An amount constituting 40% of the regional part is divided among provinces in which the surface of roads per capita exceeds the surface of roads per capita in the whole country. An amount constituting 10% of the regional part is divided among provinces in accordance with their GDP levels; it is given to those regions in which the GDP per capita is lower than 75% of the GDP per capita in the whole country. An amount constituting 15% of the regional part is divided among provinces taking into account their expenses on regional railway passenger services which they provided in the year preceding the base year. The remaining amount of the subsidy (15%) is divided among provinces in which in the fiscal year the amount of expected revenues from the equalisation part and the amounts constituting the regional general subsidy minus the expected contribution to the national budget, is lower than the expected revenues from the equalisation part and the regional general subsidy minus the expected contribution to the state budget in the base year. The total amount of the regional part of the general subsidy is the total of amounts calculated on the basis of the aforementioned four variables showing directly or indirectly the revenue-earning capacity of a given province and its expenditure needs. The basis for the calculation of obligatory equalisation payments and the amount of the regional part of the subsidy in a given fiscal year are their revenues and expenditures from two years ago (Act of November 13, 2003, Art. 25).

The evaluation of mechanism equalising the fiscal inequalities between provinces cannot be done without considering its legally specified elements, which make it possible to refer the issue to the dilemmas of the equalisation policy of the state.

Factors responsible for discrepancies in the own revenues and expenditures of provinces. In Poland it has been assumed that the described mechanism may only take into account objective factors influencing the revenue-earning capacity of provinces. Therefore, equalisation payments are calculated on the basis of factual tax revenues (the W ratio). These revenues are recognised in the average tax revenues of all provinces (the Ww ratio). Provincial self-government bodies are not entitled to shape the construction of tax revenues recognised in the W and Ww ratios. They can influence the level of the revenues only indirectly, through conducting their own regional policies, but they have no sufficient instruments to do that. The mechanism takes into account also the expenditure needs of provinces, but the adoption of such criteria as: (1) the unemployment rate, (2) the GDP and (3) the surface of national roads per capita means that only egzogenic factors affecting the formation of disparities are taken into account. Only the fourth factor – the level of current expenditures incurred by a province on regional railway passenger services - reflects both the objective needs and regional preferences as far as the level of expenditures on this task are concerned.

The method to estimate the revenue-earning capacity index and the expenditure needs as well as the so-called reference period. The revenue-earning capacity of provinces is determined on the basis of selected tax revenues (representative tax system): shares in PIT and CIT. The selection of these revenues is justified. While they are not typical own revenues of provinces but resources transferred from the central budget, they have the greatest impact on the existence of disparities in the financial situations of provinces, because they is a high positive correlation between the economic situation of a province and the number of tax sources. It should be noted that extraordinary circumstances affecting the increase or decrease in tax revenues and expenditures of a given province are not taken into account when calculating the equalisation payment and the receivable subsidy, i.e. the mechanism involves no reliefs. The lack of reliefs guarantees that the planned amount of funds will be transferred to the central budget but it also results in the payments being sometimes perceived as sanctions for the occurrence of extraordinary circumstances, e.g. when a province (having won a court case) receives the payment of tax arrears from the last few years. The lack of reliefs due to extraordinary events is justified as including them in the mechanism could encourage provinces to spend more than they need on financing own tasks only to avoid the discharge of their surplus income. However, what could be reconsidered is the situation of a natural catastrophe, e.g. in the form of a flood or an especially tragic snowstorm. In the present construction of the mechanism it is impossible to postpone the payment or spread in it in instalments, nor is it possible to redeem it for any reason.

Expenditure needs are estimated taking into account the unemployment rate and the regional GDP, as well as – directly – the surface of national roads and the level of current expenditures on regional railway passenger services. Hence, the equalisation mechanism is aimed at reducing inequalities manifested only in transport needs.

A controversial issue is the so-called reference period, i.e. the year whose revenue and expenditure data are used to calculate the ratios of tax revenues, the amounts of equalisation payments and the receivable part of the regional subsidy. The W and Ww ratios are calculated on the basis of revenues generated by provinces two years earlier (Act of November 13, 2003, Art. 32). For example, the payments made in 2013 depend on the tax revenues of provinces received in 2011, as of June 30, 2012. Taking into account changes in the economic cycle, it means that in the period of a slowdown – and consequently a decline in the budgetary revenues of provinces and an increase in some of the expenses – the provinces are obliged to transfer a significant part of their revenues, while in the period of economic revival the provinces "benefit" from the fact that the payments they have to make are based on lower revenues and transferred from a "wealthier" budget. The construction of the mechanism does not include elements correcting the negative effects of the adopted reference period, i.e. preventing the situation when very high payments are made in the period of an economic crisis.

The criteria for the selection of regions making equalisation payments and regions receiving the regional part of the general subsidy, and the scope of equalisation. The basic criterion for the selection of regions making equalisation payments is the revenue-generating capacity determined with the use of the W tax revenue ratio (Table 2).

Equalisation payments to the central budget are made by provinces in which the W ratio exceeds 110% of the Ww ratio. The W ratio (and the Ww ratio respectively) are calculated by dividing the tax revenues of a given province (the total of all tax revenues of all provinces) generated in the year preceding the base year by the number of the province's inhabitants (by the number of the country's inhabitants). The amount to be transferred depends on the number of people in a province and the relation between the W and Ww ratios.

Table 2. Method of calculating annual equalisation payment of provinces
W – the ratio of the tax revenues of a province per capita. Ww – the ratio of tax revenues for all provinces. L – number of province inhabitants.

<table>
<tr><th>Ranges of tax revenues (the W ratio) differentiating the amount of the payment</th><th>Method of calculating the payment</th></tr>
<tr><td colspan="2">Algorithm used in years 2004-2013 (excluding 2011)
The payment made by provinces in which the W ratio exceeds 110% of the Ww ratio</td></tr>
<tr><td>threshold I – up to 170% Ww</td><td>L * 80% (W − 110% Ww)</td></tr>
<tr><td>threshold II – over 170% Ww</td><td>L * [48% Ww + 95% (W − 170% Ww)]</td></tr>
<tr><td colspan="2">Algorithm used in 2011
The payment made by provinces in which the W ratio exceeded 120% of the Ww ratio</td></tr>
<tr><td>threshold I – up to 180% Ww</td><td>L * 70% (W − 120% Ww)</td></tr>
<tr><td>threshold II – over 180% Ww</td><td>L * [42% Ww + 80% (W − 180% Ww)]</td></tr>
</table>

In 2011, due to the pressure exercised by the Mazowieckie Province, the lower limit of the W ratio was increased to 120% of the Ww ratio. This was a one-time change, so it did not affect the equalisation system in a lasting way. Nevertheless, in my opinion, it was a negative change, as it caused an unexpected decrease in the revenues of other provinces (e.g. the Świętokrzyskie Province lost about 11.9 million PLN) (Gazeta Prawna.pl 2010) and although it was "an exception to the rule" it raised a temptation to introduce more one-time changes to the equalisation mechanism.

The criterion the achievement of which makes a province obliged to make equalisation payments is quite restrictive, as even a relatively insignificant surplus over the average revenues results in a situation when a province is obliged to share part of its provincial revenues with other regions. Another controversy is that the mechanism does not include the upper limit of the amount of payment which a province has to make. Therefore, it is possible that a province has to transfer an amount greater than the one which is left to cover its own needs and the wealthiest province – having made the payment – may become the poorest local self-government unit in its category (i.e. a unit of the lowest tax revenues per inhabitant).

It is impossible to propose an optimum model of the equalisation scope, as justice is perceived differently by different people. Apart from that, the satisfying level of justice may be in opposition to the desire to maximise the welfare in the whole country (Ahmad and Brosio 2006, 20). The equalisation should on the one hand contribute to the improvement in the economic efficiency and on the other hand – be conducive to achieving the principle of solidarity. Moreover, it should not be in opposition to the principle of financial independency of local self-government units.

The construction of financial transfers from the equalisation payments of provinces is a controversial issue. As it was already mentioned, the payments constitute a part of the regional general subsidy which is divided on the basis of 5 criteria defined by law. The selection of the criteria makes it possible for one province to be at the same time obliged to make equalisation payments and receive the regional part of the general subsidy funded from such payments.

Although the amounts taken into account when dividing the regional part are relatively objective, i.e. related to the level of current revenues or expenditures, the mechanism leaves out investment expenses. These expenses are taken into account only indirectly – through making one of the amounts of the regional part depend on the surface of province roads per inhabitant (Act of November 13, 2003, Art. 25). It is the province assembly (sejmik) which decides about what the received part of the subsidy is going to be spent on – it may be used to finance any own tasks of the province.

In my opinion, it would be justified to legally oblige the beneficiaries of this mechanism to earmark the received funds exclusively for investment purposes. This would require changing the construction of the equalisation transfer from the general subsidy to a grant. This kind of change is simple in theory but in practice it may raise objections as grants mean putting limits on the financial independence of regions. Moreover, this kind of change would have to be followed by finding solutions to many dilemmas, including: what kind of investments (in what fields) could the grants be earmarked for, how to divide the resources among provinces, who should make this division and how to control the use of these resources?

The method of transferring resources between provinces. The Polish model is the model of indirect interregional redistribution, which involves applying an intermediate cell (the central budget) between regions obliged to transfer the surplus of their revenues and those which receive the surpluses in the form of a part of the regional general subsidy. This solution is good from the perspective of beneficiaries of the regional part of the subsidy, but it increases the value of financial transfers in the public finance sector.

SCALE OF REDISTRIBUTION OF REVENUES BETWEEN PROVINCES IN POLAND: MAZOWIECKIE PROVINCE CASE

In the recent years many controversies have arisen in relation to the mechanism equalising the disproportions between the units of local self-government, their number being actually disproportional to the scale of the issue. In 2012 the total amount of the payments made to the national budget by local self-government units of all levels earmarked for equalising the fiscal disproportions was 2,408 million PLN (in 2011 – 2,384 million PLN), i.e. 2.8% of these units' own revenues and 0.8% of the national budget revenues. The payments of the provinces equalled 687 million PLN, i.e. 28.5% of the total amount of payments of all the local self-government units (The Council of Ministers 2013).

The units of provincial self-government vary strongly with respect to their revenue-generating capacities (Table 3). In 2005–2013 the tax revenue ratio of only one province exceeded the average. In the case of 9 provinces the W ratio was always clearly under the average value. The tax revenues of other four provinces slightly exceeded the average value and in the case of the Wielkopolskie Province the value of the ratio decreased shortly under the average. This means that although the state conducts the equalisation policy, fiscal inequalities among provinces do not disappear.

Table 3. Values of W and Ww ratios in 2005-2013 (in PLN)
Source: Ministry of Finance, http://www.mf.gov.pl (AOD: 12/08/2013).

Province	2005	2006	2007	2008	2009	2010	2011	2012	2013
Dolnośląskie	48.76	95.40	108.45	126.49	159.60	177.61	154.58	151.25	185.81
Kujawsko-pomorskie	46.40	73.66	68.20	71.74	91.20	100.88	95.10	81.03	94.81
Lubelskie	32.12	47.84	50.86	49.12	68.36	74.74	66.13	57.26	69.94
Lubuskie	43.10	73.93	71.72	72.03	101.50	102.87	84.86	81.13	89.60
Łódzkie	43.28	68.01	70.66	76.71	100.77	114.42	120.91	122.31	122.66
Małopolskie	40.33	73.64	65.23	82.92	103.31	134.45	112.45	94.60	105.73
Mazowieckie	131.69	252.40	254.34	275.90	343.73	375.14	327.01	283.97	299.09
Opolskie	36.51	65.45	111.46	86.00	103.12	116.39	113.12	88.43	92.47
Podkarpackie	30.47	55.64	55.24	53.48	69.89	72.32	69.41	62.28	77.30
Podlaskie	33.60	53.01	52.64	49.41	70.72	75.83	76.77	62.74	60.67
Pomorskie	64.91	96.40	96.40	96.40	96.40	96.40	96.40	96.40	96.40
Śląskie	55.27	107.83	106.94	106.65	126.19	140.39	114.82	120.62	144.57
Świętokrzyskie	30.73	50.44	51.01	57.69	80.41	108.30	103.63	66.60	89.98
Warmińsko-mazurskie	32.72	56.59	56.69	50.07	66.89	70.29	62.53	63.66	60.14
Opolskie	61.31	107.82	106.11	108.90	135.94	149.85	143.28	140.28	144.59
Zachodniopomorskie	38.91	38.91	38.91	38.91	38.91	38.91	38.91	38.91	38.91
Ww ratio	**56.95**	**102.07**	**103.16**	**110.22**	**139.03**	**154.99**	**138.60**	**126.97**	**140.10**

The criterion on the basis of which provinces are selected to make equalisation payments is incorrectly defined. This is confirmed by the data from Table 4 which show that equalisation payments were made by only 7 provinces, with the share of the Mazowieckie Province in the regional part of the general subsidy at the level of almost 100% (in 2012 – 95% and in 2013 – 90%). Other provinces either do not make payments or the payments they make are much lower[4]. The collected data illustrate at the same time that the interregional disproportions do not decrease (the number of provinces making payments does not fall).

[4] In 2004–2006 the payments were made also by the following provinces: Lubelskie, Podlaskie, Świętokrzyskie and Pomorskie, although they W ratios are much below 110% of the Ww ratio. These payments were the result of setting new administrative borders of these provinces, as a result of which their number of inhabitants changed and so did their revenues per capita.

Table 4. Equalisation payments in 2004–2013 (in million PLN)
Source: reports on the implementation of the budgets of local government units for the years 2004-2012, and information about the planned amount of subsidies for provinces, http://www.mf.gov.pl/ministerstwo-finansow/dzialalnosc/finanse-publiczne/budzety-jednostek-samorzadu-terytorialnego/informacje-i-zestawienia (DOA: 10/08/2013).

Specification	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013[a]
In total, in which:	**381**	**315**	**638**	**642**	**721**	**891**	**956**	**628**	**687**	**735**
Dolnośląskie	–[b]	–	–	–	12	15	16	–	27	74
Lubelskie	–	0	0	–	–	–	–	–	–	–
Mazowieckie	380	310	638	642	709	876	939	628	659	661
Podlaskie	0	0	–	–	–	–	–	–	–	–
Pomorskie	–	4	–	–	–	–	–	–	–	–
Świętokrzyskie	0	0	–	–	–	–	–	–	–	–
Wielkopolskie	–	–	–	–	–	–	–	–	2	–

a) plan; b) the dash means that the phenomenon did not occur; c) zero means that the phenomenon existed but its value was less than 0.5

The results of the analysis conducted for years 2004-2011 show the significant burden on the Mazowieckie Province for the benefit of other provinces. The total amount of the equalisation payments was about 28% of the total revenues and 36% of this province's own revenues. The record year with this respect was 2010 in which this relation was 38% and 55% respectively. The equalisation payment of this province is very high, sometimes higher than capital expenditures (Fig. 1) and constitutes a significant burden for the province. In 2013, every month, irrespective of the extent to which the planned revenues have been generated, the province has to pay to the central budget 55 million PLN, i.e. every second zloty worked out by its inhabitants. In order to pay consecutive monthly instalments of the payment, the management of the province is looking for savings and incurring liabilities.

In 2008-2010 the dynamics of the equalisation payment increase was greater that the dynamics of the increase of the Mazowieckie Province's tax revenues (Fig. 2). In 2010, the equalisation payment this region was obliged to make equalled 940 million PLN. If the principles of making this payment had not been changed in 2011, the province would have had to transfer to the central budget about 800 million PLN. The change in the method of calculating the payment reduced the amount to about 630 million PLN. This means that the regional part of the general subsidy was in 2011 lower by 177 million PLN.

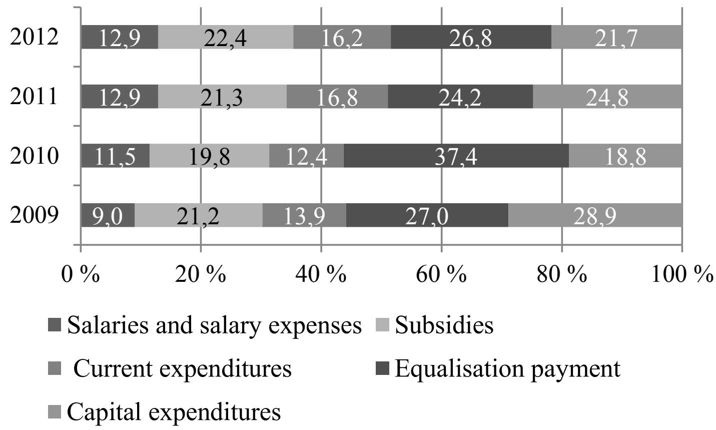

Figure 1. Expenditures of Mazowieckie Province with equalisation payment specification in 2009-2012 (in %)

Source: reports on implementation of the budget of the Mazowieckie Province for the years 2009-2012.

In 2004–2013 the equalisation payment was usually about 40% of the tax revenues of the Mazowieckie Province (Fig. 3). In 2009 and 2010 it exceeded 50%. This means that because of the transfer of resources to other provinces, year after year the financial independence of this region decreased, making it difficult or even impossible for the province to perform its own tasks, including most of all the sustainable development policy within the region.

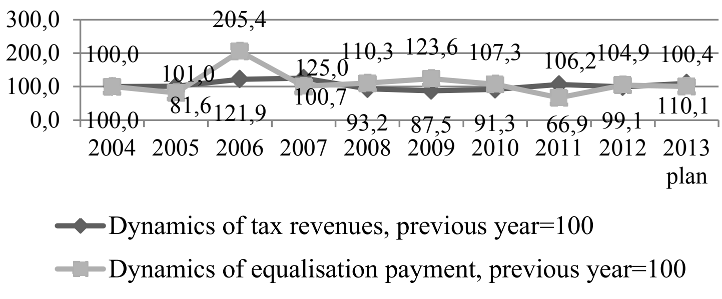

Figure 2. Dynamics of tax revenues and equalisation payment of Mazowieckie Province in 2004-2013

Source: reports on implementation of the budget of the Mazowieckie Province for the years 2004–2012 and the plan for 2013.

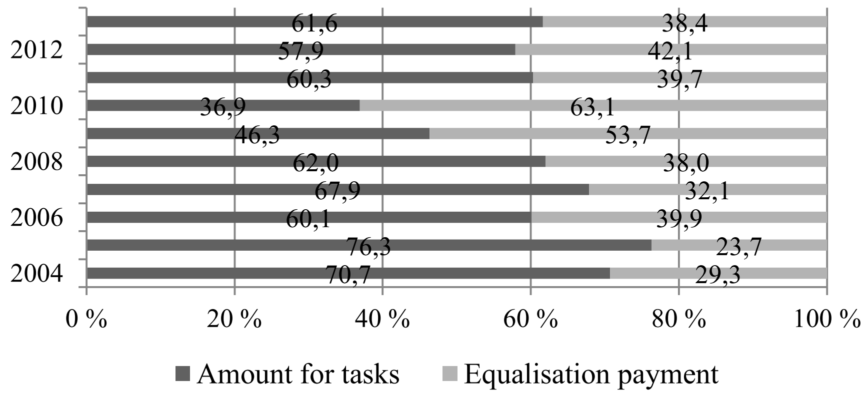

Figure 3. 'Purpose' of tax revenue of Mazowieckie Province in 2004-2013 (in %)
Source: as in Figure 2.

The obligation to make equalisation payment in the conditions of the economic crisis which began in 2008 and led to the lowering of the revenues from shares in CIT (which constitute 80% of the total revenues of the Mazowieckie Province) forced the province to look for savings and take other measures. The savings involve decreasing by 15% the subsidies for all institutions in the case of which the founder is the province's self-government (offices, museums, theatres). Moreover, some investments were suspended and the implementation of some other – broke into several years. Moreover, financial resources were decreased for such tasks as: the construction of sports fields, the renovation of historic buildings, the construction of "park and ride" car parks and the cofounding of the purchase of equipment for volunteer fire brigades. Apart from that, it was decided that the province will claim in court the refund of the resources spent from the province's budget on the tasks assigned by the government administration[5].

The payments made by the Mazowieckie Province worsen its financial result. They are booked as current expenditures which means that they increase the budgetary deficit (both the current and the total one). In 2004–2012 the total amount of the budgetary deficit was 1.2 million PLN. If the province did not have to make the payments, the implementation of the budget would every year end with a surplus, which in 2004-2011 would have amounted to 3.9 million PLN in total (in 2012 the budget showed the surplus in the amount of 24.5 million PLN).

The obligation to make payments stimulates the expansion of the public debt. In 2013 the payments are so great (661.3 million PLN) that the Mazowieckie Province lacks the resources to cover them (to pay part of the instalments the province incurred

[5] These tasks are permanently underfunded at all the levels of local self-government.

credit in the amount of 200 million PLN). Therefore, in September 2013, an amendment to the budget act was made which made it possible to give the government a loan from the central budget in the amount of 220 million PLN (Act of November 26, 2010). This means that the central budget may give the loan so that the province may pay the equalisation payment to the same central budget!

The Mazowieckie Province is both a payer of the equalisation payments and a beneficiary of the regional part constituted from them. In 2012 it received 18.946 thousand PLN. The total amount of the payments made by the analysed region in 2004-2012 was 5781 million PLN and the total amount of the regional subsidy it received was 643 million PLN, which means that the province's net payments for other provinces amounted to 5138 million PLN.

CONCLUSION

Polish regions (provinces) vary significantly for example in terms of the needs of the regional community, revenues, costs and expenses incurred to finance their own tasks. Consequently, they have different possibilities to satisfy the needs of the regional community and stimulate the sustainable development in their area. Aligning the level of income of provinces equates the ability to finance developmental expenditures.

In the literature it is suggested that in the process of sustainable development should be carry out along with residents of the region, its government and business entities operating there, with the help (interaction) of other regions, the central government and the authorities of the European Union (Kruk 2011, 226). The existence of horizontal equalization mechanisms is therefore consistent with the conception of sustainable development. The desirable goal of the horizontal equalisation mechanism is to reduce the inequalities between regions, which involves increasing the revenues of poorer regions and worsening the financial situation of the wealthier regions. However, this mechanism should not limit the financial independence of regions and should contribute to solidarity between them.

The analysis of the legal construction and the practical functioning of the equalisation mechanism aimed at reducing interregional inequalities in Poland shows that the construction of the mechanism is incorrect. Not only does it not reduce the inequalities but also limits the financial independence of provinces making equalisation payments. It is also doubtful whether it fulfils the principle of solidarity. The mechanism was constructed by the trial and error method, with no relevance to the theory of public finance and the aims and instruments of the regional policy (Patrzałek 2012, 212–213). The mechanism is also erroneous in the light of the strategic documents of the Council of Ministers in accordance to which the equalisation transfers are to enhance regional potential for development, i.e. strengthen the regions from which developmental diffusion could spread to other areas (Zygadło 2013, 30).

The critical evaluation of the analysed mechanism is consistent with the opinion of the Constitutional Tribunal which in 2013 decided that the mechanism raises doubts with regards to its aim. The aim of the mechanism is to equalise the revenues of the regions and not to create optimum conditions for their development and for the improvement in the conditions of living of regional communities (Zygadło 2013, 17). From the perspective of the financial independence of regions and the principle of solidarity the following elements of the mechanism should be critically evaluated: 1) the criteria (the W ratio, the population) which are the basis to determine if a given province is an active or a passive participants to the mechanism, 2) using the data from two years ago in relation to the fiscal year [6], 3) the lack of provisions preventing the excessive payment, which puts at risk the paying provinces' capability to finance their own tasks and making it necessary for them to incur liabilities [7], 4) the fact that the differences in expenditures and expenditure needs of provinces are taken into account only to a very limited extent. At present, the mechanism discussed in this paper does not create optimum conditions for the sustainable development of the provinces, and even hinders the achievement of the objectives of the development of the Mazowieckie Province.

The aforementioned negative features of the mechanism of equalising interregional disproportions are so important that they call for the modification of the mechanism. The modification of the mechanism construction would be not only a response to the protests of local self-governments and the negative decision of the Constitutional Tribunal, but also a step towards changing Poland so that in 2020 it could be a "more economically and socially integrated country, a country more territorially cohesive due to the processes of restructuring and equalisation, leading to similar quality of and equal access to basic public services" (the Council of Minsters 2010).

What remains an open issue is how to change this mechanism so that it contributes to increasing the economic and social welfare of provinces and at the same time is conducive for their financial independence, and develops the principle of solidarity. In my opinion, the following solutions should be taken into account: 1) lowering the threshold after which the payments are made, 2) excluding one-time revenues from the W ratio, 3) setting limits to prevent excessive payments , 4) taking into account the spending needs of provinces, 5) obliging the beneficiaries of payments to earmark them for investments.

[6] The Polish experiences show that in 2 years the financial situation of the regions may worsen significantly but it is not timely reflected in the equalisation mechanism and may constitute a significant burden to the budget of some provinces.

[7] The situation when the government, changes the principles of the payment calculation ad hoc and grants a province a loan so that it can transfer to the central budget the equalisation payment is absurd.

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SUSTAINABLE WELFARE AT THE SOUTHERN AEGEAN REGION

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ISLANDS AS SPECIFIC GEOGRAPHIC PLACES

Sustainability and welfare are concepts expressing a relatively recent and already institutionalized aspiration of contemporary societies and governments. The present paper attempts to highlight and demonstrate the difficulty to deal with both concepts in a very particular and discontinuous geographic space, such as Greece. Moreover, this paper focuses in one of the Greek administrative regions composed of inhabited islands most of which live mainly on seasonal (generally summertime) tourism and are literally deserted in winter. Furthermore, it examines how and why the question of islands and their sustainable welfare is of interest today, especially within a global framework of a generalized economic crisis.

It is generally admitted that the geography of islands presents difficulties due mostly to the fact that islands—although apparently well-limited areas in terms of space—present demographic and functional characteristics that may significantly vary in space and time due, mostly, to their spatial and temporal population distribution. Difficulties in defining the size of the land surrounded by water, which should be considered an island, are also well known to geographers. In order to avoid any 'epistemological fuzziness' concerning the insularity of an island, we will consider the definition given by Eurostat[9], in this paper, since it pertains to European national regions and territories.

An island, being a geographical place, characterized as such by its location (geographic

[9] Islands are defined, according to the criteria specified in Article 52 of the Regulation on the Structural Funds and the Cohesion Fund (Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund), as territories having: a minimum surface of 1 km²; a minimum distance between the island and the mainland of 1 km; a resident population of more than 50 inhabitants; no fixed link (bridge, tunnel, dyke) between the island and the mainland.

coordinates x, y) and its attributes (z), is either 'connected' or 'isolated'. This means, according to Taglioni (2006) that it is either dependent or independent on a higher rank place, usually a continental city. The author proposes a typology of islands according to their dependence/independence on a metropolis, based on the concepts of hypo- and hyper-insularity respectively. In any case, dependent or independent islands are spatially separate geographical areas and can be generally characterized by terms such as isolation, discontinuity, enclave, periphericity.

There is a paradox, though, referred to by geographers, that their fundamental characteristic which is 'isolation' has become a 'good to sell' (Bernardie-Tahir 2005). Islands, a priori unspoiled, "interstitial" and "authentic places" (Haniotou 1997), are today the principal elements in the global tourism system. It seems, that the 'key' to their good function is 'accessibility' (distance in terms of time rather than space). Although, the more an island is isolated the more it becomes attractive through processes that, in the end, make its 'natural' remoteness disappear: Attractiveness means need to manage accessibility, which means creation of connectivity, consequently an increase of visitors (tourism), then no more remoteness, possibly no attractiveness or, often enough and in order to preserve the economic health of the place, creation of 'an island on the island' in order to artificially 'produce and sell' remoteness, again.

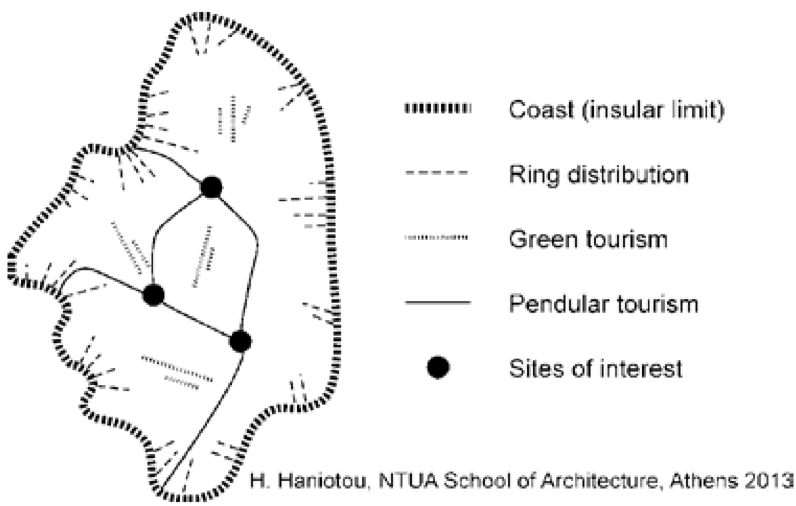

Figure 1. Distribution of Ring, Green and Pendular Tourism on the islands.

Tourism, as an economic and social activity, has a carrying capacity depending on the permanent population of inhabitants (carrying capacity = number of tourists/number of inhabitants) (Lozato-Giotard, 1990). It also affects local resources (water mainly), often causing problems due to the tourist population distribution (ring distribution) and the organization of local transportation which is increasing the 'ring distribution'. Thus, there are economic, social and spatial (environmental) impacts that are not time-limited, contrary to the annual touristic presence which is (Figure 1).

The geographical and public transport isolation of many small islands has undoubtedly been a decisive factor for the preservation, for many decades now, of their character: Though certainly disadvantaged from an accessibility point of view, they are calm places from a quality of life point of view, maintaining their fragile natural environment and their often remarkable landscape.

SOUTHERN AEGEAN ISLANDS – REFERENCE FRAMEWORK

Greek islands, from the Antiquity to date, have been characterized by an unbroken connectivity to the mainland. Living mostly on agriculture and mining, they have been important navigation landmarks on the route to the East (e.g. during crusades) and they have experienced periods of important connections, but also dormant periods as well (Bresc 2004). After World War II, a great number of inhabited islands have been mainly functioning as tourist destinations with a periodical summer activity.

The islands of the Southern Aegean Region, on which our interest is focused here, constitute the most important insular complex of the country by the number of its inhabited islands many of which are well known touristic destinations (Rodos, Kos, Patmos, Mykonos, Thira/Santorini, Paros...). Furthermore, it is the region with the most important concentration of islands and consequently the less important distances between them (Figures 2 and 5).

Compared to the other European countries, Greece features a specific particularity: It is mountainous at 80% of its territory and characterized by major spatial discontinuities with approximately 6000 islands and islets, of which 169 are inhabited, with nearly 16000 km of coastline (Figure 3). This is at the origin of its particular distribution and urban organization, which is highly centralized, with almost 40% of its population living in the capital, Athens, and another 10% in Thessaloniki (EL.STAT., 2011).

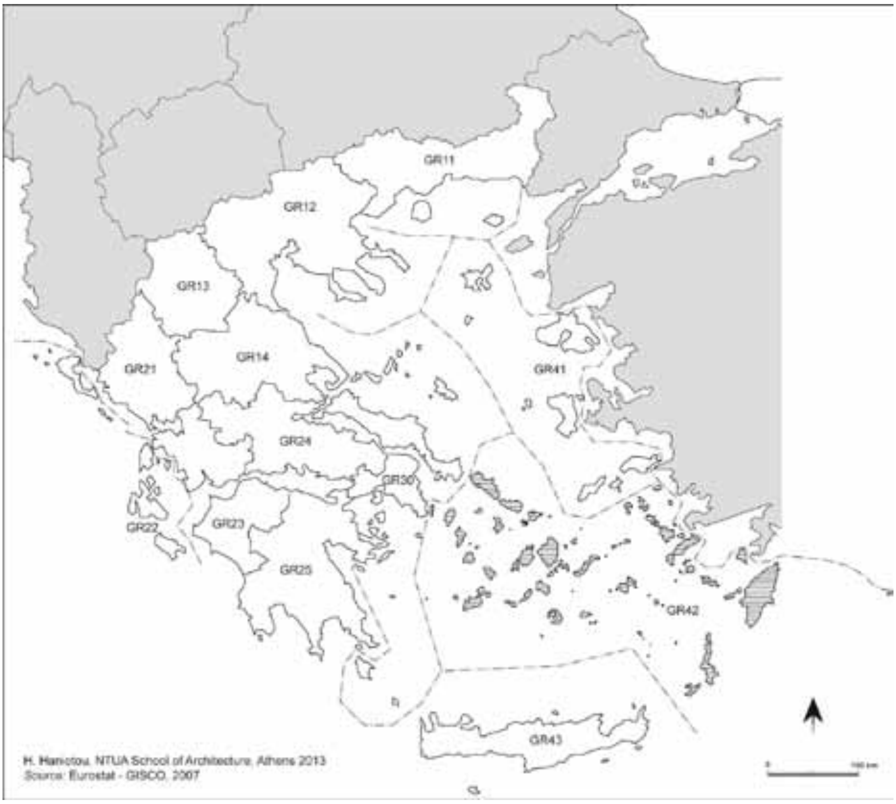

Figure 2. Greece: Southern Aegean Islands and the other 12 Greek Regions.

Southern Aegean is one of the thirteen regions of Greece. It is also one of the outer borders of the European Union in the South and Eastern Mediterranean Sea, thus an important gateway to the country and the EU. Its total area is 5,286 km2 (4% of Greece) with 52 inhabited islands[10] and 226 uninhabited islets. The area of the inhabited islands ranges from 0,35 km2 to 1,398 km2 (EL.STAT 2011). After the 2010 reform, the Region is composed of 13 regional units and 34 municipalities. Its population, according to the latest census (2011), is 308,975 inhabitants with a growth rate of 3,5% between 2001 and 2011. The population on the islands ranges from 1 to 152,538 inhabitants. Population density varies consequently from 0,11 to 261,87 inhabitants per square kilometre, while the average density at reference level is 69,29 inhabitants per square kilometre (Figure 4).

[10] According to EL.STAT 2011 census, 47 islands have a population of more than 5 inhabitants and 5 islands have a population of less than 5 inhabitants.

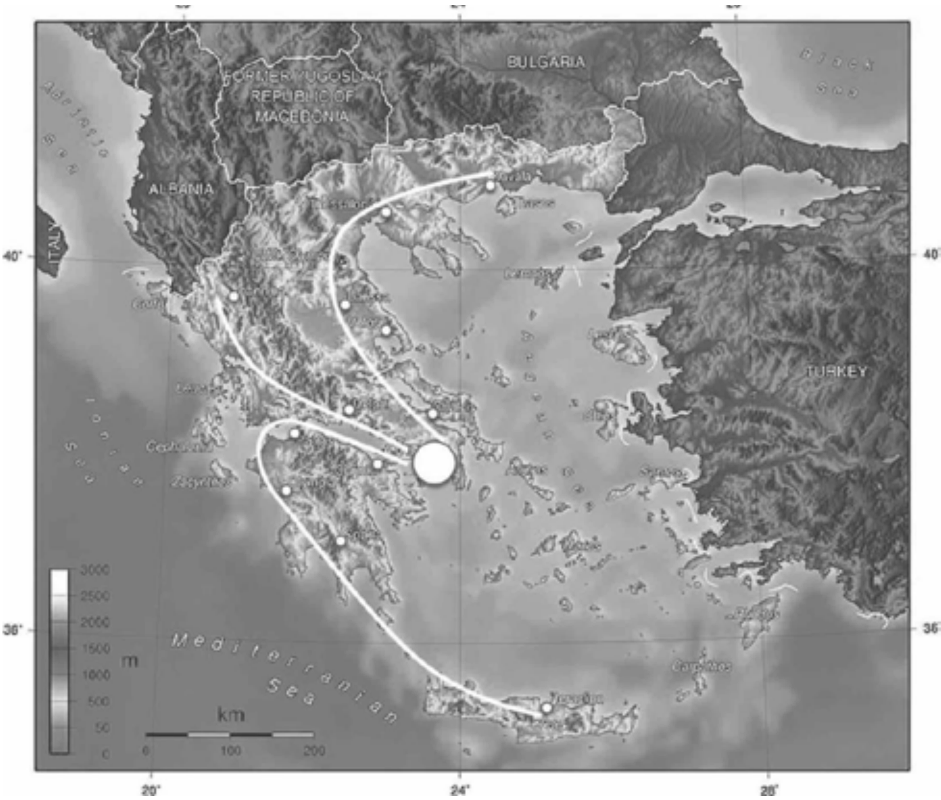

Figure 3. Spatial distribution (peripheral) of most populated Greek cities.

The small population capacity, the limited employment opportunities and the insufficient or even non-existent social infrastructure have been feeding the problems and disadvantages of these areas. In Greece, they have been classified as 'Less Favoured Areas' (Klabatsea 2006a, b). On the other hand, the situation of relative isolation, stability and/or depopulation have formed the conditions for them to become alternative tourist destinations for visitors searching for tourist capacities in areas unaffected by the attack of mass tourism on already well established tourist destinations. Thus, the so-called disadvantage for the islands has helped maintain—until the early 1990s—their particularities, character and a certain authenticity. The minimum tourist service infrastructure, recorded until then in small islands, is an evidence of their productive structure which was mainly based on the primary sector.

The local communities' response to the increasing tourist demand, developed around the axis of benefiting from the feature of disadvantage, which ensured conditions of calmness-isolation-authenticity, has been almost immediate: A process of converting an element-feature of disadvantage into a comparative advantage for attracting a new activity (tourism), which can theoretically create a new development trend in a 'Less Favoured Area', took place. After a few years only, a trend for consolidating a singular functional specialisation has arisen and lasts to date. Ensuring higher economic return more easily and in less time—as compared to agricultural works—emerges as a key factor for consolidating the dominant tourist activity as employment and source income for the local community.

Table 1. Southern Aegean Islands: Table of Population Densities. Processing of 2011 Census' data. (* Not all data are available for these islands).

No	Islands	Population 2011	Area (km^2)	Density (inh/km^2)
1	Rodos	152 538	1 398	109,11
2	Kos	46 099	290	158,96
3	Syros	21 473	82	261,87
4	Naxos	18 340	442	41,49
5	Thira	17 430	73	238,77
6	Kalymnos	15 884	110	144,40
7	Mykonos	14 165	85	166,65
8	Paros	13 684	195	70,17
9	Andros	9 128	380	24,02
10	Tinos	8 699	194	44,84
11	Leros	7 915	52	152,21
12	Karpathos	6 173	301	20,51
13	Milos	4 966	151	32,89
14	Patmos	3 429	34	100,85
15	Symi	3 068	58	52,90
16	Sifnos	2 543	74	34,36
17	Kea	2 472	131	18,87
18	Ios	2 084	108	19,30
19	Amorgos	1 947	121	16,09
20	Kythnos	1 436	99	14,51
21	Serifos	1 378	73	18,88
22	Astypalaia	1 270	96	13,23
23	Antiparos	1 196	35	34,17
24	Kasos	1 070	65	16,46
25	Nisyros	1 003	41	24,46
26	Kimolos	899	36	24,97
27	Tilos	829	62	13,37
28	Folegandros	787	23	34,22
29	Lipsi	784	15	52,27
30	Chalki	702	28	25,07
31	Megisti	496	9	55,11
32	Koufonissi	412	5	82,40
33	Thirasia	322	11	29,27
34	Anafi	294	38	7,74
35	Sikinos	270	41	6,59

No	Islands	Area (km^2)
1	Rodos	1 398,00
2	Naxos	442,00
3	Andros	380,00
4	Karpathos	301,00
5	Kos	290,00
6	Paros	195,00
7	Tinos	194,00
8	Milos	151,00
9	Kea	131,00
10	Amorgos	121,00
11	Kalymnos	110,00
12	Ios	108,00
13	Kythnos	99,00
14	Astypalaia	96,00
15	Mykonos	85,00
16	Syros	82,00
17	Sifnos	74,00
18	Thira	73,00
19	Serifos	73,00
20	Kasos	65,00
21	Tilos	62,00
22	Symi	58,00
23	Leros	52,00
24	Nisyros	41,00
25	Sikinos	41,00
26	Anafi	38,00
27	Kimolos	36,00
28	Antiparos	35,00
29	Patmos	34,00
30	Chalki	28,00
31	Folegandros	23,00
32	Saria	20,40
33	Iraklia	19,00
34	Makronissos	18,40
35	Lipsi	15,00

No	Islands	Density (inh/km^2)
1	Syros	261,87
2	Thira	238,77
3	Mykonos	166,65
4	Kos	158,96
5	Leros	152,21
6	Kalymnos	144,40
7	Rodos	109,11
8	Patmos	100,85
9	Koufonissi	82,40
10	Paros	70,17
11	Megisti	55,11
12	Symi	52,90
13	Lipsi	52,27
14	Tinos	44,84
15	Naxos	41,49
16	Sifnos	34,36
17	Folegandros	34,22
18	Antiparos	34,17
19	Milos	32,89
20	Thirasia	29,27
21	Chalki	25,07
22	Schinoussa	25,00
23	Kimolos	24,97
24	Nisyros	24,46
25	Telendos	24,13
26	Andros	24,02
27	Karpathos	20,51
28	Ios	19,30
29	Serifos	18,88
30	Kea	18,87
31	Kasos	16,46
32	Amorgos	16,09
33	Kythnos	14,51
34	Agathonissi	14,31
35	Marathos	14,29

No	Islands	Population 2011	Area (km²)	Density (inh/km²)
36	Schinoussa	225	9	25,00
37	Agathonissi	186	13	14,31
38	Donoussa	176	14	12,57
39	Iraklia	150	19	7,89
40	Telendos	111	5	24,13
41	Pserimos	77	15	5,27
42	Arki	43	7	6,42
43	Saria	39	20	1,91
44	Dilos	24	3	7,06
45	Farmakonissi	10	4	2,50
46	Makronissos	8	18	0,43
47	Marathos	5	0	14,29
48	Kato Antikeri*	3	1	3,00
49	Varvaroussa*	2	---	---
50	Kouloundros*	2	---	---
51	Polyaigos*	2	18	0,11
52	Platanos*	1	---	---

No	Islands	Area (km²)
36	Pserimos	14,60
37	Donoussa	14,00
38	Agathonissi	13,00
39	Thirasia	11,00
40	Megisti	9,00
41	Schinoussa	9,00
42	Arki	6,70
43	Koufonissi	5,00
44	Telendos	4,60
45	Farmakonissi	4,00
46	Dilos	3,40
47	Marathos	0,35
48	Kato Antikeri	1
49	Varvaroussa	---
50	Kouloundros	---
51	Polyaigos	18
52	Platanos	---

No	Islands	Density (inh/km²)
36	Tilos	13,37
37	Astypalaia	13,23
38	Donoussa	12,57
39	Iraklia	7,89
40	Anafi	7,74
41	Dilos	7,06
42	Sikinos	6,59
43	Arki	6,42
44	Pserimos	5,27
45	Farmakonissi	2,50
46	Saria	1,91
47	Makronissos	0,43
48	Kato Antikeri	3,00
49	Varvaroussa	---
50	Kouloundros	---
51	Polyaigos	0,11
52	Platanos	---

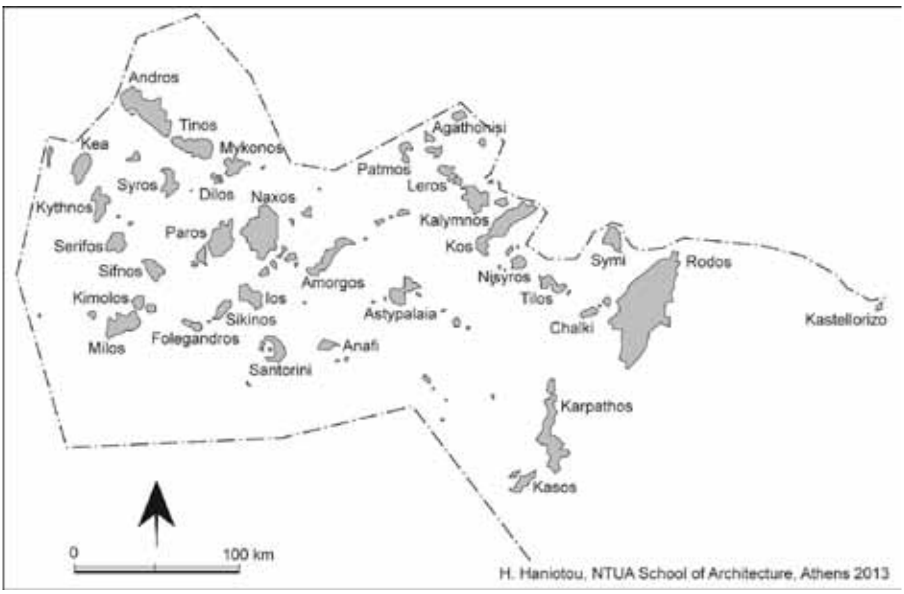

Figure 4. Greece: The Southern Aegean Islands Region

Source: NUTS level 2, Eurostat – GISCO, 2007.

The continuous expansion of tourist activity has brought a series of chain reactions to the local economy and society, as recorded by relevant studies (Tsartas 1996; Kokkosis 2000; Spilanis 2000; Tsartas 2000; Kokkosis and Tsartas 2001; Tsekouras 2002). The increase in the local income and the maintenance of productive and young population on the islands are, a priori, the positive effects.

It should be pointed out that the unrestricted and unlimited continuation of the expansive domination of the comparative advantage of exploiting the 'small, isolated, calm, virgin place' over the other local characteristics had also negative effects. During the last decade, the continuous reconstruction of tourist accommodations—incompatible with the character and size of the islands—involves serious risks of altering and/or exhausting the local features or incentives for economic growth.

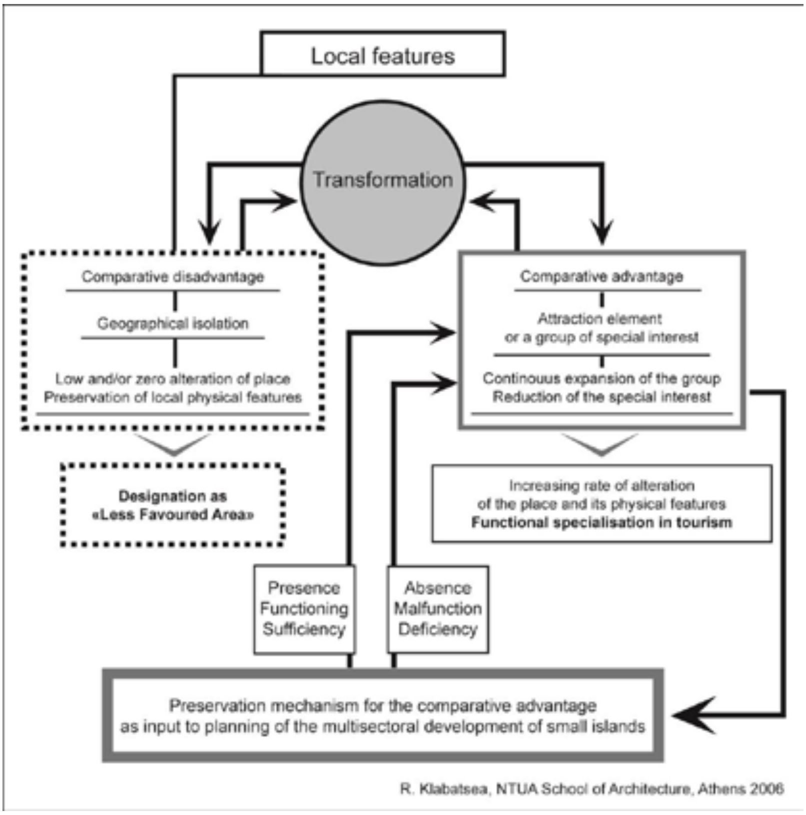

Figure 5.

Figure 5. above displays the transformation of a local feature into a comparative advantage focusing on the decisive role of planning. At a first phase, the local feature is the main cause of disadvantage (lag) of the area (comparative disadvantage). Then, it is converted into a comparative advantage (since it is absent from other developed areas).

This process results in the attraction of a large number of visitors-consumers and the continuous expansion of the requirements for new tourist accommodations and other relevant facilities. The existence of a mechanism preserving the quality of the local feature (planning) is critical for safeguarding it as a comparative advantage. The absence or inadequacy of such a mechanism will contribute to the constant degradation of the quality of the local feature and, in the end, to its reduction, once again, to a comparative disadvantage of the area.

POSSIBILITIES AND RESTRICTIONS FOR A SUSTAINABLE WELFARE

If we consider that welfare depends on the conditions of residence, employment and social facilities as well as on ensuring income and (since income represents a vital factor so far) on quality of life, then we could assume that a sustainable welfare is conditional upon (urban and regional) planning. More particularly, it is depending on planning care for continuously ensuring the welfare of local populations and the preservation of their natural and human environment.

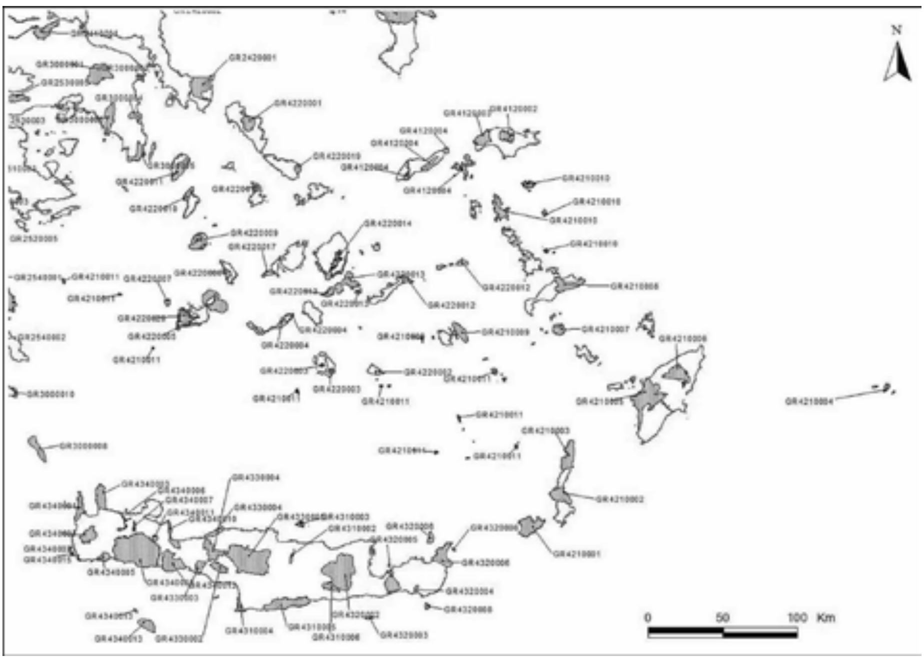

Figure 6. NATURA 2000 Sites of Community Importance in the Southern Aegean Region (SCI). Source: http://www.ypeka.gr

Both, welfare and sustainable welfare, are equally based on the local potential, i.e. the natural and cultural features and, also, on the spatial distribution of populations and resources. Consequently, the capacities of and restrictions to developing this potential by preserving and protecting its fragile character must be taken into account.

It is also clear that the islands' potential depends on their natural beauty and landscape, lately and particularly on the NATURA regions (Figures 6 and 7) and water systems, as well as on specific cultural features, such as archaeological sites, the activities and spatial distribution of the population (permanent and seasonal).

Figure 7. NATURA 2000 Special Protection Areas in the Southern Aegean Region (SPA), Source: http://www.ypeka.gr

A large part of the Southern Aegean Islands Region, an ensemble of thirty areas, a relevant number of wetlands etc. has been designated, by the scientific community, as ecologically significant and is proposed for inclusion in the NATURA 2000 network (Figure 6)[11].

[11] "The European Union has nine biogeographical regions, each with its own characteristic blend of vegetation, climate and geology. Under the Habitats Directive, Natura 2000 sites are selected on the basis of national lists proposed by the Member States. For each biogeographical region the Commission adopts a list of Sites of Community Importance (SCI) which then become part of the network. Finally, the SCI are designated at the national level as Special Areas of Conservation (SAC). Under the Birds Directive Member States select the most suitable sites and designate them directly as Special Protection Areas (SPAs). These sites then automatically become part of the Natura 2000 network" (http://ec.europa.eu/environment/nature/natura2000/sites_hab/biogeog_regions/index_en.htm, visited on 23 October 2013).

The following are considered to be the islands' physical features:

- Natural limits between land and water of high 'economic' value (coastline, beaches), which are the first and most important feature and factor of attractiveness.
- Physical (coast, sand, dunes, rocks) and human (traditional versus modern settlements and constructions) landscape differences and complementarities between the perimeter and the inland.
- Green, rocky or mixed landscape, which is observable, often in its totality, from the island's highest culminating points (hills, mountains).
- A certain 'authentic' character due to restrained development and the high cost of modern infrastructure (mostly transportation systems).

The islands' most important social features (population) are considered to be the following:

- A professional reorientation for the local population. Taking advantage of the island's touristic attractiveness, it has occurred for most of the populations, living originally on agriculture, animal husbandry, fishing and mining, dramatically increasing their income.
- An icrease of migrant populations coming from the mainland living and working on the islands only during the high season. Consequently,
- A very important variation in population numbers (ten times over, in some cases) between summer and winter: overcrowded places during summer, depopulated and deserted places in winter, with serious functional problems for the few permanent inhabitants (slow-running or malfunctioning services in general with inefficient transportation services, depopulated schools, closed shops etc.).

In 2001, according to our processing of census' data (EL.STAT 2001), in 39 islands[12] of the Region, 9.23% of the economically active population was engaged in primary sector activities (less than the relevant national average standing at 15.23%); a rate of 23.26% was employed at the secondary sector (mainly in constructions), which is almost equal to the relevant national average (22.96%); 67.51% of the economically active population in the Region engages in the tertiary sector (tourism, trade and other services), a rate higher than the relevant national average (61.81%). Figure 9 presents the disproportional allocation of the above average regional figures/rates between 39 islands per production sector. It is indicatively pointed out that, in the primary sector, the rates range from 2.52% to 62.50%, in the secondary sector they range from 3.57% to 38.78% and in the tertiary sector they range from 24% to 78.14%.

[12] Data are not available for 13 very small islands.

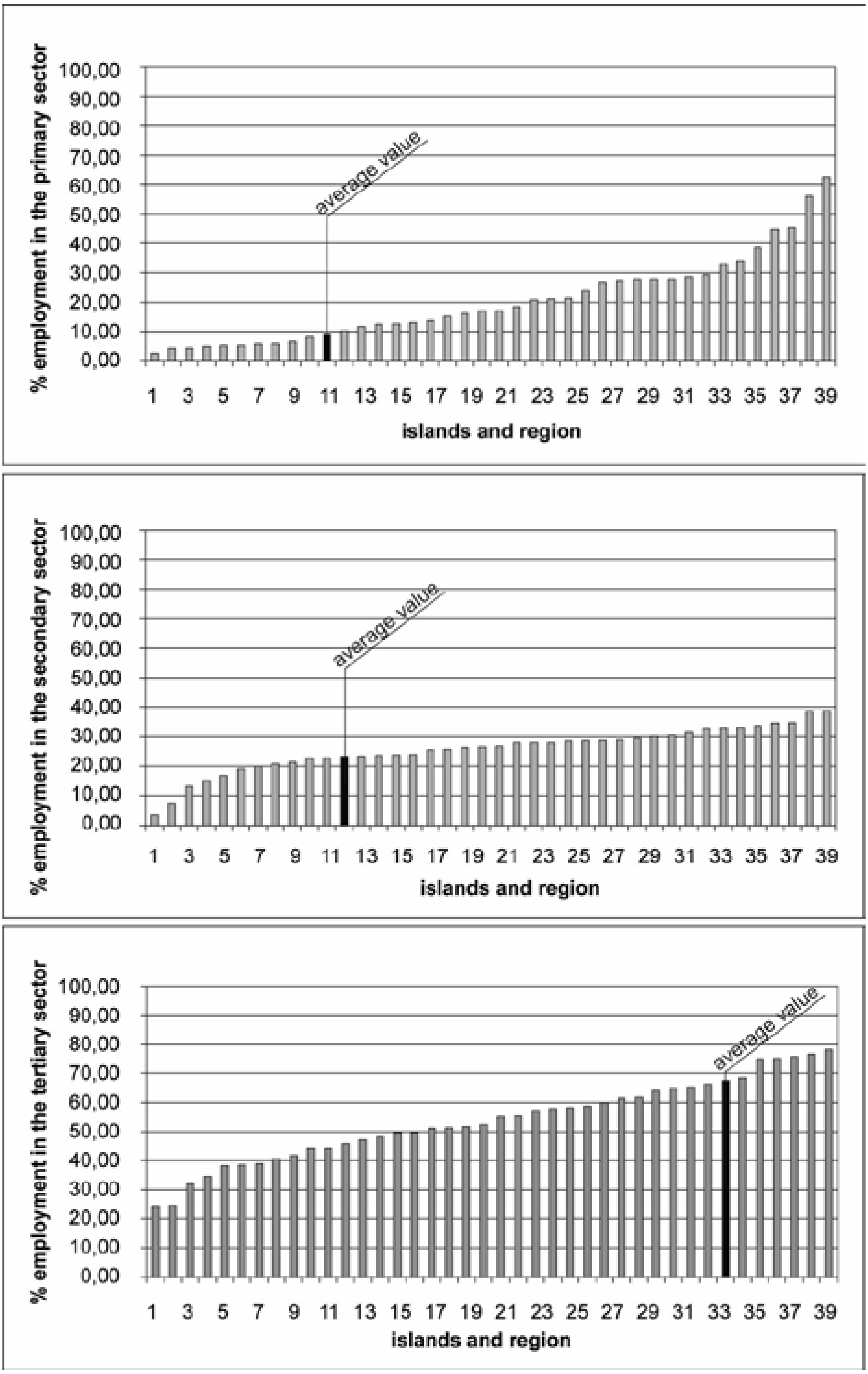

Figure 8. Sectoral structure of employment on the islands. Processing of 2001 Census' data. (2001 data are not available for all islands. 2011 employment data are not yet available).

What we called above 'possibilities' represents in reality the islands' potential for development and, first of all, its natural physical area which has suffered alterations often and mainly due to tourism (unplanned touristic activities). In the time scale through multiple processes, this appears to be a restriction to a sustainable perspective (future). The question is whether it is easy to determine the mechanism to erase these restrictions, on the one hand, and to recognize the limits to the possibilities of development, on the other hand.

Considering the Islands' cultural features one can see that monuments of which the roots are lost in time and monuments of the contemporaneous civilization are scattered on all islands, without having been properly maintained or highlighted: The Aegean Sea, being the starting point of the Greek civilization and a crossroad of cultures, is well known for its cultural heritage of worldwide prestige (Dilos, Thira/Santorini, Kos, Rodos, Patmos), constructions for worship or protection from invaders, next to humble structures that are the remnants of the everyday life.

The cultural wealth of the Southern Aegean Region is exceptional: each island has a special character, affected both by its natural relief and by its route in history. A great number of the residential ensembles of the Region have been assessed as being of significant interest and have been designated protected traditional settlements. In the Region, 212 settlements have been designated 'traditional' (since 1978 mostly) and they present a great diversity as to their size, character and position in the regional network of settlements. Their potential becomes even more important considering that each island is, actually or potentially, a closed system (to be preserved) and an isolated place. It can possibly be or become an administratively autonomous and economically standalone area.

Subsequent to determining what the development potential is, the next step would be to determine the processes through which the potential identified in the first place could be transformed into a possibility or a restriction. Then, conditions could be proposed for transforming possibilities into a sustainable welfare. However, organizing the identified possibilities presents multiple difficulties, since exceeding the potential generates restrictions.

The Southern Aegean Region consists of 718 settlements on its 52 islands (EL.STAT 2011) as shown in table 2. The spatial distribution of settlements [13] can be considered either

[13] Settlements in Greece are defined by the Hellenic Statistical Authority (ELSTAT) as follows: "An ensemble of adjacent constructions, the buildings of which are not more than two hundred (200) meters away from each other, in case there is no authorized city plan, or more than one thousand (1000) meters away from each other, in case there is an authorized city plan, and which includes at least ten (10) household residences or one collective residence or household residences and collective residences which may be inhabited properly by at least fifty (50) individuals, irrespective of whether these reside there all year round or only during a certain time of the year".

at an island level or at a regional level. The latter, as most administrative boundaries, has no real value. In any case, the spatial fragmentation (number of islands and number of settlements per island) is a significant particularity to be taken into account for ensuring a sustainable welfare in the Southern Aegean Region. The access capacity, for the residents in each settlement, to social and administrative services is an example: Usually, these services are located at the capital city of the big islands. The residents of smaller islands, in order to be provided with administrative services mainly, have to travel to the closest big islands or, sometimes, to the capital city of the Prefecture (e.g. Ermoupolis, Syros Island).

Table 2. Number of settlements on the islands, Processing of 2011 Census' data. (* Not all data are available for these islands).

No	Islands	Settlements 2011	Density (inh/km^2)	Area (km^2)	Population 2011
1	Andros	86	24,02	380	9 128
2	Rodos	70	109,11	1 398	152 538
3	Naxos	65	41,49	442	18 340
4	Tinos	62	44,84	194	8 699
5	Paros	59	70,17	195	13 684
6	Thira (Santorini)	38	238,77	73	17 430
7	Kea	36	18,87	131	2 472
8	Syros	31	261,87	82	21 473
9	Milos	31	32,89	151	4 966
10	Karpathos	27	20,51	301	6 173
11	Amorgos	22	16,09	121	1 947
12	Kythnos	17	14,51	99	1 436
13	Serifos	16	18,88	73	1 378
14	Kos	16	158,96	290	46 099
15	Sifnos	12	34,36	74	2 543
16	Mykonos	12	166,65	85	14 165
17	Leros	11	152,21	52	7 915
18	Kalymnos	11	144,40	110	15 884
19	Symi	8	52,90	58	3 068
20	Ios	8	19,30	108	2 084
21	Kimolos	7	24,97	36	899
22	Folegandros	6	34,22	23	787
23	Nisyros	6	24,46	41	1 003
24	Kasos	5	16,46	65	1 070
25	Thirasia	5	29,27	11	322
26	Tilos	4	13,37	62	829
27	Patmos	4	100,85	34	3 429
28	Donoussa	4	12,57	14	176
29	Astypalaia	4	13,23	96	1 270
30	Antiparos	4	34,17	35	1 196
31	Anafi	3	7,74	38	294

32	Chalki	2	25,07	28	702
33	Schinoussa	2	25,00	9	225
34	Sikinos	2	6,59	41	270
35	Koufonissi	2	82,40	5	412
36	Iraklia	2	7,89	19	150
37	Agathonissi	2	14,31	13	186
38	Pserimos	1	5,27	15	77
39	Farmakonissi	1	2,50	4	10
40	Telendos	1	24,13	5	111
41	Saria	1	1,91	20	39
42	Megisti	1	55,11	9	496
43	Lipsi	1	52,27	15	784
44	Marathos	1	14,29	0	5
45	Dilos	1	7,06	3	24
46	Arki	1	6,42	7	43
47	Makronissos	1	0,43	18	8
48	Kouloundros*	1			2
49	Kato Antikeri*	1	3,00	1	3
50	Varvaroussa*	1			2
51	Polyaigos*	1	0,11	18	2
52	Platanos*	1			1

To identify the limits of the possibilities of, and restrictions to developing the resources of the islands at the Region, and given their high degree of heterogeneity and singularity, a series of factors that have contributed to form their historical and modern environment must, in most cases, be taken into account, such as the following:

- The Southern Aegean Region is a complex interstitial ensemble: a number of separate lands (islands) connected by water (sea) and air. For all these places, the question of accessibility is crucial. It is even more crucial because of the 'unsteadiness' of the physically 'connecting and separating background', water and air that are materially unstable.
- Significant distance (remoteness, isolation) from the most important centers of growth.
- Insular character that is far from and difficult to be connected to the European transportation networks. But, at the same time, a nodal position of great impor tance on the routes from East to West and from North to South.
- A great number of planning criteria and parameters to be considered: some of them are related to the island's size, population, settlements' distribution, production, transportation networks...
- A bothering stability for the mountainous inland settlements that have known no changes to their population, according to the national censuses, during the last 20 years.

- Insular ecosystems which are highly unstable and fragile, vulnerable to any external force that could damage biotopes and make species disappear.
- Natural systems suffering of degradation and alteration due to the overcrowding of places during certain periods of the year.
- Many of the Region's settlements are institutionally protected since they are considered to be of great national interest.
- A large area in both Cyclades and Dodecanese Islands has been recognized by the international scientific community as ecologically important. It consists of a group of 30 areas proposed to be included to the Natura 2000 network.
- Areas that have been characterized as areas of natural beauty.
- The current legislation bringing about changes to the natural landscape. Infrastructures, industrial activities, commercial centers and similar constructions not taking into account the physical landscape features.
- Specific strategies, already proposed and respecting the local features, are difficult to put into practice due to inefficient State control mechanisms.

Nevertheless, since the early 1990s, many projects have been implemented at the Southern Aegean Region, being eligible area under Objective 1[14] for the convergence and cohesion of the European Union, which pertained mostly to the following [15]:

- Transportation infrastructure (roads, ports, airports)
- Technical infrastructure (water supply, sewage, biological treatment ...)
- Educational infrastructure.

While, the following sectors present still deficiencies in many islands or parts of big islands, even among the most developed ones:

- Water management
- Sewage
- Reinforcement of the Primary sector
- Achievement of autonomy in energy.

The geographical distribution of resources shows that most of them (>70%) are concentrated on the biggest and most populated islands. This raises a significant question related to that distribution, because of the lack of strategic planning, the different needs of the local permanent and seasonal population and the absence of administrative infrastructure on smaller islands.

[14] to promote the development and structural adjustment of regions whose development is lagging behind (http://europa.eu/legislation_summaries/regional_policy/provisions_and_instruments/g24203_en.htm)

[15] a. Ministry of the Environment, Physical Planning and Public Works - ENVIPLAN, (2002).
b. Ministry of Economy and Finance - ENVIPLAN et. al., (2002-2005).
c. Southern Aegean Region, Panteion University of Social and Political Sciences, Regional Development Institute (2012).

CONCLUSION

Tourism is an activity mainly and so far addressed to relatively healthy or at least financially solvent consumers. Thus, considering the existence of a touristic activity in the future supposes the existence of a healthy and still money-based economy. Usually, nobody can afford travelling to a specific destination if he/she cannot pay the transportation and stay fees. This means that we are making the assumption here of the 'persistence' of the present situation and of a worldwide healthy economy.

On the other hand, accessibility cannot be improved, except if huge amounts of money are invested to air and sea super-efficient transportation systems or to a system yet to be imagined. If this cannot be, then an alternative important feature for the islands future development should be their relative autonomy, autocracy, and therefore 'authenticity' due to a specific development for each and every specific place/island with its proper local natural and cultural features. In other words, we support the hypothesis that the sustainable regional welfare should depend on and therefore develop through local particularities and by giving priority to the small (local) scale, i.e. in an extremely globalised world, development may only depend on highlighting the advantages of each place at a local scale.

Therefore, the need for recognizing and protecting the natural and cultural potential of each island, as a distinct spatial and social entity, must constitute the basis of planning for the development of an insular region presenting characteristics as those described above for the Southern Aegean islands. Through this example, we have attempted to bring out insularity as an important direction of reviewing sustainable welfare in a regional context. Many of the islands' features are at the same time capacities for and restrictions to their sustainable welfare, reminding the need to plan their development at a regional, national and international level accordingly. Elements such as the extent of isolation and accessibility, the quality of natural and cultural resources, the size of population (permanent inhabitants and tourists) and the relevant social and technical infrastructures, the structure of production and local economy, are some of the 'layers' for evaluating the sustainable welfare of an insular region. 'Mapping' these layers altogether gives a shape to the argument of the existence of many-regions-within-a-region aiming to sustainable welfare in a regional context.

Implementing a strategy orientated towards smart and sustainable development of the islands is conditional upon the a priori 'mapping' of the capacities and restrictions for each insular place, as well as the a posteriori assessment of the results of their development course to date. Interpreting the mechanisms, creating both the potential for and the restrictions to the desirable development of the islands, is still an open and pop ular field of scientific research and discussion, especially in the conjuncture of the current worldwide crisis.

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3. CLUSTER ANALYSIS

AGRI-FOOD CLUSTERS IN THE REGIONS OF THE EUROPEAN UNION ON THE EXAMPLE OF GERMAN, FINNISH AND POLISH REGIONS

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INTRODUCTION

In the past several years the pace of development of global business has grown significantly, as evidenced by various types of projects and research established to improve the economy of each country. It is clearly seen in the more developed countries of EU-15 represented by Germany and Finland in this paper. In Poland there is a growing trend of intensification due to adapting to the EU standards. After the accession this process has significantly tightened up, resulting in improving the international competitiveness and internationalization of Polish companies (Gorynia & Jankowska 2008). The pursuit of economic growth, improvement of living standards, as well as an attempt to achieve high profits by companies are the factors of development of companies in the same industry in selected geographical area. These projects are called clusters.

Clusters are defined in the literature as companies, suppliers and research and development units, which conduct business in a similar industry and not only compete but also cooperate. They are closely linked to institutions such as universities, research associations or agencies in order to work on projects allowing to achieve their objectives. Michael Porter introduced the term cluster in economical context in his book: The Competitive Advantage of Nations (1990). However, the theorem of clusters was developed also by economists such as Perroux (1950), Hirschman (1958), Jacobs (1961) and Krugman (1991), (Breschi & Malerba, 2006) (Looijen & Heijman 2013). Porter's definition is: "Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions (for example, universities, standards agencies, and trade associations) in particular fields that compete but also cooperate. Critical masses of unusual competitive success in particular business areas, clusters are a striking feature of virtually every national, regional, state, and even metropolitan economy, especially those of more economically advanced nations" (Porter 2008).

Building regional clusters – as opposed to raising productivity, boosting innovation, readdressing market failures or other objectives directly related to regional welfare – has become a common goal of development policy. Regional welfare improvements are therefore viewed as a natural outcome of cluster building efforts (Blien & Maier 2008). Clusters should encourage increased competitiveness of the area, which in turn results in improved technology used in enterprises and the introduction of the latest innovations. Clusters are therefore interesting initiatives and undoubtedly innovative, that may also bring benefits to both - entities forming them, as well as the region, on which they operate (Malina 2013). It is therefore necessary to explore their characteristics and development in order to understand better the operation of various types of clusters and thus be able to support new initiatives. Many scientists formulated various methods that aim to facilitate the differentiation of clusters and their mode of action in the selected geographical area. There are both, quantitative and qualitative methods. Quantitative methods do not contain information on the forms of the relationship between the undertakings in the sector. Qualitative methods consist of carrying out all kinds of surveys, interviews and observations. These last methods help to create subjective evaluation of factors, barriers and opportunities for business development and performance of the cluster in a particular region. There is also so-called mixed method which uses the two methods outlined above. One of the most popular methods is the monographic method, known as a case study, containing statistical evaluations.

THE ROLE OF CLUSTERS IN SHAPING INNOVATION AND COMPETITIVENESS OF A REGION

There are many diverse definitions of clusters. The most often cluster is defined as the spatial concentration of enterprises, institutions and organizations interrelated with extensive network of formal and informal character based on a common trajectory of development (eg, technology, common target markets , etc.) competing and cooperating in certain aspects of performance at the same time (Porter 2001, 246). Despite the existence of many different definitions of cluster and related concepts of networks and industrial districts, man can identify the following common features:

- spatial concentration,
- interactivity and relationships,
- joint development trajectory,
- competition and cooperation.

Due to the innovation man can distinguish:

1. Clusters based on knowledge (characteristic to the companies belonging to sectors with high R & D intensity and high intensity of patenting; arise usually around strong public sector research institutions; operate in the pharmaceuti cal, chemical, electronics industry or production of flying machines, etc.).
2. Clusters based on economies of scale (typical for companies conducting their own research on a very small scale, focusing on production systems on a large scale, characteristic to food processing and other processing of bulk materials, automotive).
3. Clusters depended on suppliers (companies importing technology mainly in the form of capital goods and intermediates, their innovative activities depends largely on their ability to interact with suppliers and service processing industry).
4. Clusters of specialized suppliers (based on companies with high R & D intensity, which put emphasis on product innovation and relationship with the user, typical for companies producing complex manufacturing systems, such as computer hardware and software).
5. Clusters intensive in information (typical for companies managing complex information processing systems for the delivery of goods and services that meet customer needs; typical for financial services, wholesale trade, publishing, business travel, etc.) (Wojnicka E. et al. 2006).

The creation of the cluster in the Polish reality is typically based on a bottom-up initiative of the enterprises, which are beginning to see the benefits of co-operation, such as higher efficiency, the flow of knowledge or access to suppliers. Clustering is often a priority direction in many development strategies, which is why public authorities sometimes try to top-down influence on the formation of cluster initiatives by promoting the idea of clustering, support projects shaping and strengthening the relationship between the SME sector and research and development (examples are the Scandinavian countries).

The role of clusters in promoting regional development, enhancing competitiveness and improving the innovativeness of the region is significant. Therefore, clusters underlie the formation of 'regions of knowledge and innovation' (Regions of Knowledge) - an initiative of the European Commission, which is a continuation of the process of building regional innovation strategies. The idea of regions of knowledge and innovation is based on the concept of 'learning regions'. It is assumed that the factors of competitiveness of enterprises, enabling them to operate in the global markets arise in terms of local development. Regardless of how you initiate the cluster, it is crucial for innovation of development of the region to encourage interaction between all entities, in whose interest is the introduction of innovations and appropriate clarification of directions of development of the regional innovation system (Markiewicz & Rychlik 2008).

AGRI-FOOD CLUSTER INITIATIVES IN THE EUROPEAN UNION

The increasing globalization and its effects are the cause of the formation of groups whose members are companies in the same industry working in joint initiatives. Due to both: integration and cooperation, but also competition in a particular sector, companies improve their economic situation not only in domestic markets, but also in the international sphere (Mikołajczyk, Steenbock & Śmigla 2012). The divisions of clusters differ depending on the economic sector. There are three divisions of agri- food clusters (see Table 1). The most popular among indicators is the Location Quotient (LQ), which refers to the share of employment in the specified cluster group in the region to the European average, so-called reference area. If LQ is higher than 2, that means a concentration of clusters in a particular geographical location is very high. The size of clusters varies depending on the country and group of clusters. The highest level of LQ among clusters of agricultural production listed in table 1 achieved Romania (LQ = 1.78), followed by the Netherlands (LQ = 1.58) , Poland (LQ = 1.47) and Hungary (LQ = 1.24).

Table 1. Agri-food clusters in sector division in selected countries of the European Union
Source: Figiel, Kuberska & Kufel (2011, 101).

Country	Cluster		
	Agricultural production	Animal breeding	Food processing
Belgium	0,5	0,35	1,01
Czech Republic	0,8	0,88	1,17
Germany	**0,77**	**0,38**	**0,93**
Finland	**0,3**	**2,15**	**0,84**
France	0,74	0,54	1,16
Hungary	1,24	1,66	1,42
The Netherlands	1,58	1,42	0,76
Poland	**1,47**	**0,3**	**2,11**
Romania	1,78	5,55	0,94
Slovenia	0,4	0	1,46
Great Britain	0,17	0,07	0,62

Czech Republic	6	24	39	Latvia	0	2	4
Germany	**30**	**94**	**190**	Malta	0	4	5
Denmark	0	3	27	The Netherlands	0	22	61
Estonia	0	1	8	Poland	**10**	**49**	**103**
Spain	11	41	99	Portugal	7	21	20
Finland	**2**	**9**	**23**	Romania	14	40	38
France	6	35	124	Sweden	5	10	50
Greece	6	27	47	Słowenia	1	6	9
Hungary	2	12	45	Slovakia	2	18	25
Ireland	1	5	4	Great Britain	17	46	119

The group of clusters presented in the second column specifies those specializing in animal husbandry and breeding. The highest rate was recorded in Romania, where Location Quotient reached 5.55. Second place with a score of LQ equal to 2.15 took Finland. Germany and Poland had lower scores, respectively, 0.38 and 0.3. The last type of agri- food clusters is food processing with Poland in the first place (LQ = 2.11). For comparison, Germany with Location Quotient equal to 0.93 is far behind Poland. The two neighboring countries have similar results only in clusters of animal breeding. In the other two sectors Poland reaches far better results. It can be argued that Germany has about half as strong Location Quotient both in clusters of agricultural production and in food processing (see Table 1).

Agri-food clusters in the Member States of the European Union can be also divided due to the strength of the association (see table 2.). To determine the criterion of the strength of agglomeration there were three areas examined, namely: focus, size and type of specialization (Figiel, Kuberska & Kufel 2011). Taking into consideration following description it shows that the country with the biggest number of very strong clusters is Germany. Total number of concentrated companies in the same sector varies depending on the capacity from 30 (strongest) to 96 (strong) and 190 (not so strong). For comparison, in Poland there is 10 strongest, 49 strong and 103 not so strong clusters. The interesting countries are Great Britain, Italy, France and surprisingly Romania. Finland in below statistics is rather on average in the following statistics. However, it should be noticed that Finland has a much smaller number of residents.

AGRI-FOOD CLUSTERS IN BRANDENBURG (GERMANY)

Germany is known for one of the most developed economies in terms of development, technology and innovation in the European Union. Also the modern method of development of cooperation and competition between firms in the same industry called us clusters, have been in this country firmly established. In the past few years there was an initiative called Kompetenznetze Deutschland- the Competence Network Germany, created. This project combines sixteen lands to connect regions with the same goals and interests. In this way it created eight regions which are characterized by very similar economic situation, not only because of its geographical location, but also because of the economic structure. They include: Seaside, Brandenurg Berlin, Germany Northern Plains, Central Germany, Rhein- Ruhr- Sieg, South- Western Germany, Rhein- Main- Necker and Southern Germany. The division of clusters occurring in these groups was made by type of activity. It listed nine areas, which are: biotechnology, health and medicine, communication and mobility, new materials and chemistry, manufacturing and process (production), aviation and space, energy, environment and development of micro- nano- optoelectronics (Śmigla, Steenbock & Mikołajczyk 2013). The area of biotechnology innovation includes agri- food research and technology aspects of biology and genetics. The development of biotechnology is very important not only because of the chemical or medical industry, but also because of huge impact on the development of agriculture and food. There are three areas of activity in the above fields, namely: white ('biological' production of chemicals and active ingredients), red (the development of research in molecular biology) and green biotechnology (food and crop plants improvement). The program Kompetenznetze Deutschland distinguished nineteen agri- food clusters that work in the field of biotechnology. The most developed regions, gathering the largest number of agri- food clusters, are: Coastal, Berlin- Brandenburg, North and North- West Germany. However, there was no cluster operating within biotechnology in the Middle Germany. Another interesting area is the Berlin – Brandenburg, where in recent years technology and innovation expanded significantly in various sectors, including agri- food industry. The concentration of clusters specializing in the food industry is relatively large.

The vast majority of agricultural products produced in the state of Brandenburg and Berlin is consumed or processed in that region. On the basis of the number of enterprises and employment in companies operating in the agri-food sector it can be concluded that these clusters create the most important economic branch in Brandenburg. In this field there are over 160 companies which employ about 12,000 employees and have an annual turnover of about 3 billion euros. It should also be noted that by supporting agri- food clusters in the border area the competitiveness and entrepreneurial firms increased significantly. It is evidenced by the increasing share of national exports of goods abroad and increase in productivity. The extension of regional brands plays a very important role and thus helps to not only improve the quality of products, but also conducive to the development of science and research in the field of food and production. The main significant clusters in the field of agriculture and food are: GABI, BIOKON, BioTOP, Center for molecular diagnostics and bioanalitics, Brandenburger Ernährungsnetzwerk (Brandeburg Food Network) and Brandenburg Nutrigenomforschung Netzwerk (Research Network on Nutreginomik Brandenburg).

FOOD DEVELOPMENT CLUSTER PROGRAMME IN FINLAND

In case of Finnish agriculture clusters due to their importance and range of acting the author decided to present cluster working within few regions in Finland. The Food Development Cluster Programme is part of the national Centre of Expertise Programme (OSKE) which is a fixed term special government programme aimed at focusing regional resources and activities on development areas of key national importance. It is financed by the Ministry of Employment and Economy of Finland and regional councils and cities. The programme aims to promote the utilisation of the highest international standard of knowledge and expertise that exists in the different regions. It is a cluster-based model, the overriding objective of which is to increase regional specialization and to strengthen cooperation between centres of expertise. The National Programme involves 13 national Clusters of Expertise and 21 regional Centres of Expertise. The 21 centres of the Centre of Expertise Programme promote cooperation between the world of business and research, in order to create new business. They offer diverse services for enterprises, researchers and universities and generate added value for growth-oriented customers. Centres of Expertise are networked at national level and have access to expertise in regions beyond their own. The ccooperation parties are companies, universities, institutes of higher education, research institutes, technology centers and various sources of finance (cities, municipalities, regional councils, Employment and Economic Development Centres, especially their technology divisions and county administration boards).

The Food Development Competence Cluster acts as a dynamic partner in developing new products, searching new markets, and finding reliable partners. The cluster enhances the competitiveness of the food industry both in the domestic market and internationally. The central emphasis is on developing healthy and safe foods and nutrition related services. The Food Development Cluster has set three strategic goals:

- development and commercialisation of healthy and health promoting food, by trying to utilise national raw materials, develop processes, packages and technologies, and help prevent welfare illnesses.
- Promoting the consumers' wellbeing by recognising and taking into account consumers' needs, utilising the knowledge of food stuff markets, and

developing nutrition and food services.

- development of risk management and safety in the food production chain by developing Finnish food production systems, exporting the knowledge of safety in food production, and developing pathogen risk management within the food production chain.

At the core of the Food Development Cluster Programme are five Centres of Expertise: Agropolis Ltd. (Jokioinen), Foodwest Ltd. (Seinäjoki), Functional Foods Forum (Turku), Kuopio Innovation Ltd. (Kuopio), Viikki Food Centre (Helsinki). Each centre has its own field of expertise which enables cooperation in development projects. The Food Development Cluster has actively collaborated in lots of projects with food companies totally valued over 15 million euros in the beginning of 2009. The cluster works constantly with more than 150 food companies. Besides of that, the cluster collaborates with other national clusters, such as Health Bio, Health and Wellbeing, Intelligent machines and Forest Industry Future Cluster, to seek new solutions in the fields of nutrition and health for the future use of food companies. The Food Development Cluster works in close cooperation with several research organisations. Key partners are the University of Helsinki, the University of Kuopio, the University of Turku, the University of Vaasa, MTT Agrifood Research Finland, and VTT Technical Research Centre of Finland. Main categories of activities in the cluster are: food safety, sustainability, Baltic Sea Region, organic food, berries, food research and annual publication Makustele.

CLUSTERS IN POLAND IN THE EXAMPLE OF THE FOOD CLUSTER IN SOUTHERN WIELKOPOLSKA

Clusters in Poland is a relatively new initiative, on which there is an increasing emphasis placed. Clusters are a form of co-operation between research and development centres, scientific communities and private enterprises with the aim of increasing the competitiveness of the region and the industry. Unfortunately, the development of that structure may face numerous barriers that prevent their fully effective action and dissemination. These limitations can be divided into hard (physical, technical, regulatory, administrative) and soft, which relate primarily to the human mentality. In Poland biggest role play soft barriers, that are related to the reluctance of Polish producers and traders to work not only with other businessmen, but also to the wider realm of science. This phenomenon is caused mainly by the lack of trust in other entities operating on the market and the perception of them only as competitors rather than as potential business partners, who may give the possibility of cooperation and achieve mutual benefit from this cooperation. Polish entrepreneurs have often too selfish approach to business, making it impossible to rationally and effectively support business activities in the area. The reasons for this can be partly ascribed to the short-term development of the Polish private enterprises, which is characterized by strong competition, especially in local markets. The development and support of cluster initiatives in Poland have been in recent years financed largely with European funds, which encourages Polish entrepreneurs to tie cooperation with other entities (Figiel, Kuberska & Kufel 2011).

The idea of clusters in recent years is becoming increasingly important in Poland. According to the Polish Agency for Enterprise Development currently there are 21 clusters operating in the Wielkopolska region. The same number of cluster initiatives you can find in Poland only in much bigger Mazowieckie region. In the Wielkopolska region dominated clusters of the technology industry. Wielkopolska Region Development Strategy states that: "In the coming years, the competitiveness will be largely determined by the integration of the activities of local governments, creation of integrated systems in the public administration, the development of cooperative systems in the economy including the creation of clusters, which are the opportunity to link between science and the economy." Therefore, the Marshal Office of Wielkopolska actively supports the development of the region by being able to raise funds from the Regional Operational Programme of the Wielkopolska Region and through the competition for Innovation Clusters of Wielkopolska region, set to support activities that fall within the provisions of the Regional Innovation Strategy and implement the initiative of clusters in the region.

The only cluster initiative in the region related to the agri- food economy is a cluster of Grocery in South Wielkopolska formed in 2009 in Kalisz. It includes 21 companies in the agri -food subregion of Kalisz and Konin producing confectionery, dairy products, meat products, leading distribution of spices, manufacture of machinery and equipment for the food processing, food distribution and having contact with research and development units from Poznan. According to the articles of association (http://www.klaster.kalisz.pl), its main objectives are:

- Taking actions and initiatives supporting the development and functioning of the food businesses,
- Cooperation with the sphere of science and research- development,
- Improving the competitiveness of the members of the Association, reducing production costs and joint marketing activities,
- Conducting research on new solutions and implementation of production and introduction of new products,
- Raising the intellectual level and the effectiveness and efficiency of manage ment by the workers and staff of Cluster companies,
- Implementation of new systems of management,

- Undertaking initiatives in the interests of the Association companies to facilitate their development and consolidation of cooperation.

Research and development sector in the cluster is represented by the Poznan University of Economics and the University of Life Sciences in Poznan. Among the companies belonging to the association dominated medium-sized companies with Polish capital, perceived as leaders on the Polish market and as such by the average competitiveness. The cluster is just emerging structure and therefore internal coordination is taken only in individual cases, what can be undoubtedly mentioned as a weakness of the association. It should be however noticed that there is a strong awareness of the need for cooperation of business with the zone R & D. Although there are barriers such as the lack of qualified personnel, insufficient amount of funds possible to allocate for this purpose and the difficulty of communication between the enterprises.

Innovation in the cluster is associated with new distribution channels, new packaging, entering new markets or creating new needs. Currently there are proposed initiatives to raise awareness of owners, managers and executives for taking strategic actions to enhance the competitiveness of businesses through innovative projects and research on modern IT and ITC technologies. The Association encourages producers to cooperate not only by the promotion of products and staff training (which are organized by the management association), but also by the willingness to joint purchase of equipment and materials at the region and the country scope. In the final stage of the development there is the Investment Development Strategy of the cluster and virtual web platform of Commodity Exchange, what will contribute to a more efficient flow of information between the members and help to develop joint procurement and marketing support on the Internet (PARP 2011). There is the plan to create a cluster management R & D Centre, aimed at supporting innovative activities among entities belonging to him and help in the establishment of co-operation among companies depending States, which has led to an increase in the competitiveness of its participants. Centre for Research and Development is going to be supported by research centres from Poznan, and its main tasks will be: conducting research on various product concepts, developing recipes, production processes and packaging for all products and industries cluster portfolio. At present, the majority of the cluster does not have adequate human resources and equipment to enable this task; developing marketing concepts, conducting market research and qualitative assessment of products and all the various components of the products.

COVERGENCE AND DIVERGENCE IN THE FUNCTIONING OF AGRI-FOOD CLUSTERS IN THE REGIONS OF CHOSEN COUNTRIES OF THE EUROPEAN UNION

The idea of clusters in Poland on the example of Wielkopolska and in the more developed Finland and Germany on the example of Brandenburg is completely different. On the one hand we have the German biotech clusters or developed, covering the whole country network of the Finnish clusters, and on the other association of Polish agri- food producers and manufacturers of agricultural and food machinery. With such disparities, it can be concluded that the approach to the creation and functioning of clusters in these countries is quite different. Both clusters in Finland as well as in the German state of Brandenburg has a very strong support of technological innovation and the functioning of the entities. In Poland, despite the declarations contained in the statutes of the cluster or the Wielkopolska Region Development Strategy concerning increased attention to innovation, we have a completely different approach in that regard. Board of Southern Wielkopolska Food Cluster only declares its willingness and the start of work on the creation of a research centre, which is set up to help in improving the efficiency of the cluster entities. The German and Finnish clusters have already been greatly expanded using the achievements of their R&D sectors. This shows that in Poland at first there was a cooperation between business partners and then in a later phase there has been seen a need of the development of research on the innovative solutions. Both in Finland and in Germany it is though the foundation of the creation of the cluster initiative. Presented initiatives differ also in the way of implementation. In case of Polish and Finnish clusters it is a top-down strategy, which means that creation of the cluster was initiated by the institution- the non- direct member of the association. In Germany it is a bottom-up strategy. The creation of Kalisz cluster was initiated by the Regional Chamber of Commerce in Kalisz. OSKE cluster was created on the initiative of the Ministry of Employment and Economy of Finland, while the German Brandeburger Ernährungsnetzwerk cluster was formed by the association of the individual companies that declare their cooperation in their specified.

CONCLUSION

Building regional clusters – as opposed to raising productivity, boosting innovation, readdressing market failures or other objectives directly related to regional welfare – has become a common goal of development policy. On the basis on the above comparison of clusters in regions of Germany, Poland and Finland as well as the presented earlier situation in the European Union can be concluded that in

European countries there is a considerable variation in regional clusters. When comparing the clusters involved in agricultural production and animal husbandry in different countries, it appears that the leading country is Romania, which has the best performance among the countries listed in Table 1. Polish food processing clusters have however the highest Location Quotient. There is a majority of very strong clusters in Germany. There is a significantly different approach to creating and maintaining clusters in different sectors of the economy in all surveyed countries. The activities of clusters in Germany were divided into eight regions across the country, which would contribute to better performance in the innovative development of a similar structure and the management. In Finland there is a National Programme, which involves 13 national Clusters of Expertise and 21 regional Centres of Expertise. The 21 centres of the Centre of Expertise Programme promote cooperation between the world of business and research, in order to create new business. In Poland, however, there are very large soft barriers that result from the mentality of Polish entrepreneurs, who are wary to other companies in the same industry. The reason for such big differences between clusters operating in the development of the regions in Finland, Germany and Poland can be found in the fact that there is an strong emphasis is on strong innovation and wide use of R&D to improve firstly, the financial situation of the people living in these land and secondly, the financial situation of enterprises by promoting and supporting their competitiveness both in Germany and Finland,. The clusters in Poland operate on the basis of cooperation between different entities belonging to the association and building a R&D Center is only planned yet.

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STRENGTHENING CLUSTER PERFORMANCE BY UPPGRADING MANAGERIAL COMPETENCIES - SELECTED CASES FROM POLAND AND LITHUANIA

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INTRODUCTION

Support for the creation of production and innovation clusters is widely recognised as an effective tool for regional development. In the literature it is easy to find a large number of studies dealing with the beneficial impact of cluster structures on economic performance, both in developed market economies as well as emerging economies. Just to mention a few publications there is Porter (1998), UNIDO (2010), Kettels, Lindqvist and Sölvell (2006), Rosenfeld (1997), Jankowska (2012) and Rosińska-Bukowska (2012). The point is to create local, territorial and innovative systems based on production systems, where the interactions between the various actors start to run processes leading to the building of a competitive position in a globalised world. The global world is so complex that it requires interdisciplinary cooperation between various actors, in particular moving away from a linear model of concentration and co-localisation of entities concerned with the creation of innovation, moving forward to a systemic model of development and the upgrading of ideas as a result of continuous interaction. It is therefore a transition from Schumpeterian entrepreneurial capitalism to one of investors and sustainable capitalism, taking into account all types of stakeholders with a complete range of diverse needs (Rosińska-Bukowska 2009). The adoption of the Lisbon Strategy in the European Union has increased the importance of clusters and their role in stimulating the EU economy. Member countries have started to implement additional programmes to promote business networks. Various top-down cluster initiatives were begun, led or supervised by the Agencies for Enterprise Development, Higher Universities and Technology Parks, appointed by public administration SPVs. In 1996, Denmark was the first European country that started to support clusters by formalizing existing networks. A key role in this programme was played by cluster coordinators, who had the task of developing cooperation within the cluster. However, quite soon it turned out that the lack of experience among the facilitators and cluster coordinators caused a threat to the further existence of the clusters. In addition, the growth of bureaucratic procedures meant that entrepreneurs did not want to finance perceived artificial processes, preferring to pursue joint business projects. The problems diagnosed in the mid-90s of last century are still current in many regions and countries of the European Union, in particular in the new member states of Central and Eastern Europe. The huge inflow of structural funds into Poland and Lithuania, in conjunction with a growing popularity for developing and supporting cluster initiatives from public sources, resulted in an increase in the number of clusters established. Unfortunately, the low level of competence in cluster coordination turned out to be one of the main barriers to their development. Another truth is that many of these initiatives were established simply because of the availability of public funds and often disappeared at end of the project or had serious problems with their continued existence.

THE SAMPLE

Clusters from Poland and Lithuania took part in the survey. In the literature there is a distinction between business networks and clusters. According to the definition of Palmen (2009) business networks are specific forms of linkage between various actors from the economic scene based on interdependencies, cooperation and trust. Networks can be called clusters if we give them one additional attribute – spatial concentration. Palmen explains that though there is cooperation between actors in a business network, in a cluster we can additionally derive competition between the members as well as spatial proximity. Both phenomena also differ in the way they are formally connected – clusters have less formal connections but a higher variety of entities. According to Kettel (2003), clusters must have four basic attributes:

1) Spatial proximity – companies and other entities have to be located near to each other, so there can be a possible joint use of common resources,
2) Connections – between all actors in terms of their desire to achieve common goals,
3) Interactions – between all actors, not in formal but in a practical sense,
4) Number of actors – the number has to be large enough to cross a so called critical mass.

It is difficult to assess what numbers of actors is enough to cross this critical mass, there is no one number in the practice, but each networks has to be described differentially with regard to its potential and capacities.

The study covered 9 clusters out of 32 identified in the region of Wielkopolska, and 7 out of 56 officially registered in Lithuania. The specification of the clusters is presented in Table 1.

Table 1. List of clusters participating in the project

Poland	Lithuania
Net.CloudCube	Kaunas CCIC: E- Business Cluster
Poznan Educational Cluster	Smart IT Cluster
Printing and Advertising Cluster	Lithuanian furniture cluster
Wielkopolska Renewable Energy Cluster	MONAK2
Wielkopolska Cluster Mebel Design	Creative industries network
Wielkopolska Cluster Centre	Alliance of Baltic Beverage Industry
Wielkopolska ICT Cluster	Innovation and Entrepreneurship Centre
Cluster Leszczyńskie Smaki	
Architectural Glass Processors Association	

All the organisations identified in the project met the basic criteria for a cluster, which means that they had the following characteristics:

- Had specific organizational and legal form (formal form of cooperation),
- There was a concentration of the industry around the predominant industry or branch,
- There was a geographic concentration and awareness of the territorial identity of the cluster (cluster is territorially rooted),
- There was durability in the cooperation (at least in the core of the cluster),
- There was a variety of joint initiatives - the implementation of joint projects (e.g. in terms of promotion, organization of the market, sourcing, training, technology transfer, lobbying, etc.) and the existence of common elements in the value chain between companies/ institutions operating in the cluster,
- There was a variety of entities that formed the cluster (enterprises, industry R&D, public authorities, business support institutions),
- The cluster was established with a specific purpose and had some basic assumptions for further development.

COORDINATORS IN BUSINESS NETWORKS

There are no special schools for cluster coordinators and there are no certificates or diplomas for qualified cluster coordinators either. The perceived creditability of the cluster coordinator does not depend so much on his or her technical qualifications, but rather on how he or she demonstrates their application of the correct professional management skills. One can distinguish a few core competencies that an efficient cluster coordinator should have. These are as follows:

1) Field experience – a coordinator should have experience of the industry and branch he or she operates in, so as to know the constraints that relate to the

branch as well as all the peculiarities of the industry,

2) Management expertise – a coordinator has to be a good manager, especially in terms of project management, since he or she always works through pro jects and never has any formal control over the members of a cluster, which is very common in such projects,
3) Leadership abilities – a coordinator has to lead the members, facilitate activities, as well as encourage and activate stakeholders to engage in the clustering process; in other words he or she has to be a good leader,
4) Technical qualifications – a coordinator has to possess suitable technical qualifications relevant to the cluster mandate,
5) Devotion to the cluster goals – a coordinator has to deal with cluster business only; in particular he or she should not be engaged in projects that could be in conflict with cluster goals.

The Global Education Cluster [2010] formulates some basic strategies for effective coordination:

1) Be inclusive – involve and encourage all key educational actors, including national and local government authorities and organisations,
2) Build vertical and horizontal links – build relationships, networks, com municate and address any negative attitudes towards the cluster approach,
3) Complement and strengthen existing coordination structures, standards and guidelines,
4) Respect differing mandates, priorities, approaches, and resources, and ensure that local knowledge is harnessed,
5) Act as an honest broker and build trust through transparency and openness,
6) Share information and collaborate in key coordination activities, e.g. assessment, planning, standard setting, monitoring and review.

It is obvious that coordination of a cluster is not an easy task and requires special abilities and skills. One could assume that to become a cluster coordinator the person should normally go through a long recruitment process and pass some exams or acquire a number of certificates. In reality, the most active entrepreneurs usually become cluster coordinators, people nominated by the founding entities, but rarely professionals who have been involved for years in business management. Quite often they are random people who just happened to get involved in clusters and business networks. On the other hand, cluster management is not an easy task and is a great responsibility.

The skills and competencies of cluster coordinators - managers - can be easy assessed and measured. The assessment of the managerial competencies in Lithuania and Poland was possible due to the research project Strengthening Business Performance Management in Economic Networks - SeBPEN (no. 2011-1-PL1-LEO05-19900), under the Leonardo da Vinci Framework, Transfer of Innovation. The project run by the Foundation "Partners for Local Government" in cooperation with Navigator Consulting Partners LLP from the UK; the Human Capital Research and Development Institute from Lithuania; the Kaunas Chamber of Commerce, Industry and Craft also from Lithuania; as well as the Wielkopolska Chamber of Commerce from Poland enabled the scale of the problem to be examined with respect to the level of managerial competencies among clusters coordinators.

THE METHODOLOGY OF THE ANALYSIS

The coordinators and facilitators of the clusters were invited to take part in the project and complete the survey, the aim of which was to assess managerial competencies.

The general analysis procedure was as follows:

1) The SeBPEN researcher informed the participating managers that a brief competency assessment and discussion would be held to evaluate the current view of their job performance and requirements. This took about 1 hour,
2) The SeBPEN researcher explained the structure and questions in the assessment form in a personal meeting or, if not possible, via a Skype call. It was important to note that this was not a test, but was intended as an honest evaluation of the current situation that (on an individual level) was not going to be shared with an employer or any other source outside the project,
3) The researcher filled out the questionnaire, asking questions if necessary,
4) The questionnaire was collated for further evaluation,
5) The researcher gathered additional information drawn from secondary source documents,
6) The researcher reviewed his/her observations,
7) The researcher and trainers combined all the information and drew conclusions.

The evaluation included a numerical evaluation of the scores, together with a qualitative evaluation of the comments. It was above all intended to illustrate the actual situation within the cluster, and explore how this situation influenced personal behaviour and performance.

The sample size was admittedly too small for cross-comparisons. Instead, the researchers decided to extract critical information. For instance, how many clusters have a performance assessment system or incentive-based pay? How many clusters have a clear strategic plan which adapts to changing circumstances? The results have been evaluated and presented together with a detailed needs analysis and training plan.

Due to the small group of selected managers, the authors abandoned a statistical analysis of the data, limiting the analysis to a qualitative analysis. Thus, in the analysis the following methods and techniques were used:

- Questionnaire Interview,
- Analysis of secondary source documents,
- Direct observation.

The basic tool for obtaining information was a questionnaire interview – an oral/written interview, explicit, individual, categorized (based on the questionnaire). In the questionnaire most competency sections for clusters had two types of self-assessment:

1) The 1-10 scale, which gives a numerical value that can be measured,
2) The "essay response" boxes. These allowed the checking of intangible factors which cannot be measured for each participant in the same way, and also allowed the gaining of more information on the specific status of each manager and each organisation.

In situations where the relevant data were inaccessible (specific numbers or structure), the expert interviewer had to obtain supplementary information from secondary documents. This analysis was used primarily for obtaining additional information about the clusters and the managers recruited for the project. Indeed, depending on the level of particular cluster developments, specific managerial competencies are required to manage the cluster efficiently. The basic source documents were primarily the following:

- Documents on monitoring and evaluating regional innovation strategies,
- Databases (such as a database of projects financed from structural funds) at the disposal of PARP (Polish Agency for Enterprise Development), business development departments and the regional policies of various Marshal Offices,
- Cluster Reference websites,
- Existing databases, such as the Polish Agency for Enterprise Development database (Innovation Portal Pro Inno Europe, the European Cluster Observatory),
- Analysis and research on clusters carried out by various research units (literature analysis).

Observation was a supporting method, complementary to the basic survey carried out through questionnaire interviews. It was also the primary method for obtaining information and the techniques necessary for identifying an appropriate level of competence.

At the same time there was also the indispensable prior preparation of the survey respondents, which included, among other things, the rationale for implementing such an analysis; an explanation of the purpose of the study; and an indication of the benefits of participation in the project. This took place mainly at a meeting with representatives of the clusters. This activity was also necessary to obtain quantitative data earlier, before the visit to the cluster and the conducting of interviews. This enabled (for both experts and respondents) interviews to be held in the cluster, and also made it easier to obtain reliable data.

The SeBPEN project established the competency approach for both the initial needs assessment as well as the final assessment of the business network managers and facilitators who participated in the project. Competencies were considered as a mix of skills, experience and knowledge which demonstrate superior performance in a specific role or function. The SeBPEN competencies were selected using the following process:

1) A detailed analysis was implemented of the project requirements and the competency definition as it relates to this project,
2) A literature search was implemented for competencies and NVQs (National Vocational Qualification), along with related skill frameworks for business sector managers, business incubators, professional associations, clusters and similar groups,
3) A draft list of 19 competencies was published and later revised to a final set of 10,
4) A separate Self-Assessment Method was prepared which provides a detailed framework for the evaluation process.

The initial and final lists of competencies defined are seen in the table below. The revisions were based on the network partners’ evaluation of the current situation in clusters and business networks.

Table 2. List of competencies considered in the project

Source: Own study.

Initial List	Revised List
1. Communications Skills	1. Business Systems Thinking
2. Computer Use Ability	2. Decision making
3. Ethics and Integrity	3. Innovation
4. Work Achievement	4. Performance Management
5. Confidence and Self-Discipline	5. Problem Resolution
6. Analytical Thinking	6. Project Management
7. Corporate Communication and Relationships	7. Strategic Planning
8. Business Systems Thinking	8. Teamwork
9. Decision Making	9. Employee & Stakeholder Management
10. Employee Development	10. Communications Skills
11. Innovation	
12. Performance Management	
13. Problem Resolution	
14. Project Management	
15. Resource Management	
16. Strategic Planning	
17. Teamwork	
18. Persuasion	
19. Client Service Orientation	

The final 10 areas seemed to be most suitable for analysis in terms of the projects goals and further training.

THE RESULTS

The survey was divided into ten parts following the ten topics considered most important for managerial performance. Below can be found an analysis of the answers gathered.

BUSINESS SYSTEM THINKING

Business system thinking is crucial for achieving the sustainable development of an organisation. Cluster leaders have to change their methods and understand that they are working within a web of interdependent ecological and social systems. Asserting that the world, and consequently business systems, are complex means that it is impossible to understand them by considering their individual elements separately, and that there is no option for predicting the future, but only of grasping and proactively influencing future scenarios [Domininci 2012]. Business system thinking enables an understanding of organisational relationships, structure, climate, cultural issues and how one's role or position fits into an organisation. It also incorporates organisational strategies and goals into the development, implementation and performance of business objectives. Managers were asked how they proceeded with system thinking in their organisations. The answers are presented in Figure 1.

Figure 1. Business System Thinking in clusters.

Source: Own study.

Managers did not value the building of strong contact networks which could enable them to implement changes very quickly. The organisations did not have coherent business processes either. Organizations are resistant to changes - having a supporting network could foster the transformation and implementation of innovation processes. Very strange was the fact that most of the respondents did not have a clear understanding of the strategic objectives of their organisation. One could expect much more from responsible managers. The Lithuanian answers were a little bit higher reaching an average of 7.7 compared with an average of 7.3 for Poland.

DECISION MAKING

Decision making can be regarded as a kind of cognitive process resulting in the assessment and selection of which action should be taken among several alternative scenarios. It is a very important process for business leaders since it has an impact on the profitability and sustainability of businesses in a long run. Looking at Figure 2, where the average answers have been presented, one can see that managers are aware of the significance of the decision making process. However, they have problems with the legal status of their position in the organisation. According to the data, organisations do not sufficiently empower managers to make strategic decisions.

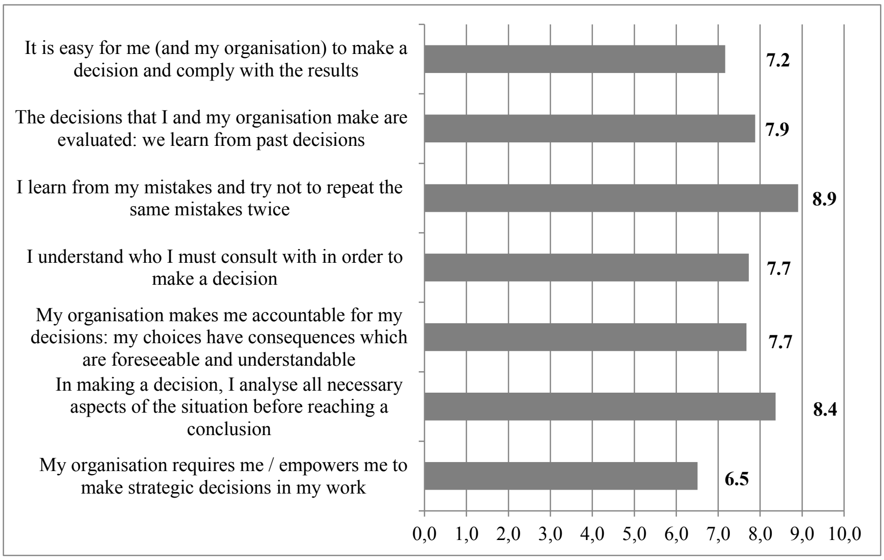

Figure 2. Decision making in clusters.

Lithuania had slightly higher average responses than Poland, 7.9 and 7.6 respectively.

Source: Own study.

INNOVATION

Europe has a real problem with innovation performance, which is of great concern since innovation tends to become the key driver of prosperity and growth as countries reach higher levels of income. While poorer countries can grow by investing in productive capacity and adopting technology developed elsewhere, richer countries need to move the productivity frontier and introduce new products, services, or ways to serve customers' needs to sustain their prosperity. The traditional linear model of innovation with clearly assigned roles for basic research at universities, and applied research in company R&D centres, is no longer relevant. Innovation can benefit from geographic proximity which facilitates the flows of tacit knowledge and the unplanned interactions that are critical parts of the innovation process [European Union 2013]. Cluster managers were asked how they dealt with the innovation process in their organisation. Their answers are presented in Figure 3.

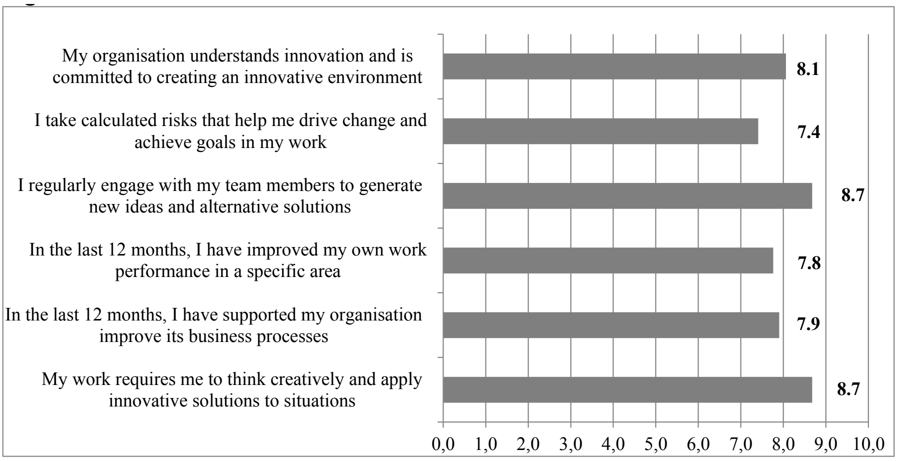

Figure 3. Innovation in clusters.

Source: Own study.

The answers seem to be rather high. Almost all the managers perceived their environment as innovative. However, when asked how many patents the cluster had registered in the last year, or what share of income was generated by innovative product or services that had been launched, researchers were not greeted with similar enthusiasm. Managers tend to strongly over appreciate the innovative capacity of their organisation, this being much higher in Lithuania than in Poland (8.5 versus 7.7.).

PERFORMANCE MANAGEMENT

Performance management includes all kind of activities which ensure that goals are consistently being met in an effective and efficient manner. It can be also considered as a process by which organisations align their resources, systems and staff towards strategic objectives and priorities. There are many techniques and tools that can be used in such a system. However, as the data in Figure 4 shows, performance management systems are not a phenomenon widely used in the day-to-day activities of clusters. None of the clusters has a system of performance management, and no system for monitoring and evaluating their performance either.

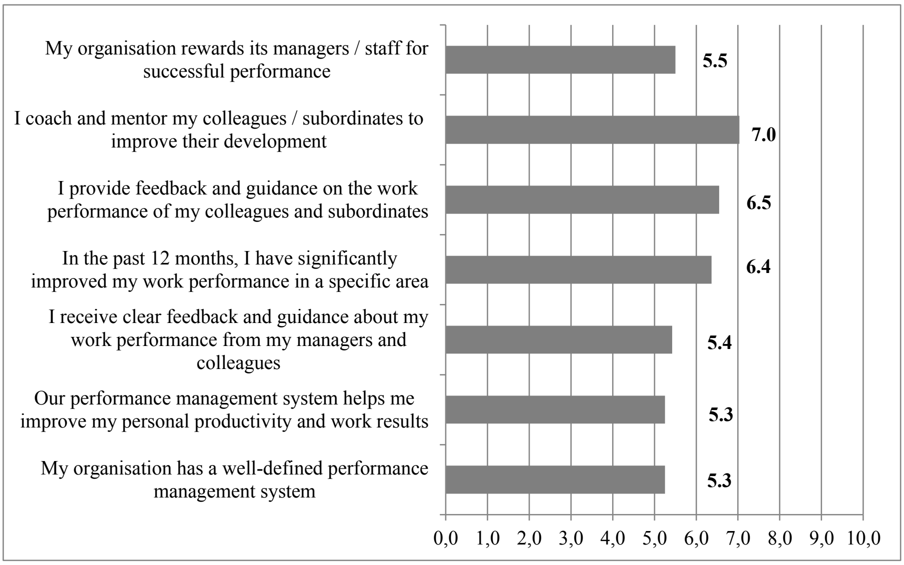

Figure 4. Performance management in clusters.

Source: Own study.

There are some very limited elements or tools used to measure performance, but they are still not embedded in any kind of system. None of the organisations have established a comprehensive or sophisticated system. One can summarise existing clusters as follows:

1) The work is mostly planned and most of the basic expectations are stated,
2) Work performance is not monitored by any sophisticated tools,
3) Staff performance abilities tend to be self-determined and rarely enhanced,
4) Performance is not rated,
5) Top performance is not rewarded.

The answers for both counties were almost identical. This is an area where a lot of work has to be done. Managers ought to use various indicators to enable their work effectiveness to be measured. As a result of this conclusion one of the final results of the project is Personal Development Plans; meant to be based on Key Performance Indicators which are a good tool for measuring performance effectiveness. Managers need to measure their effectiveness, not only to know whether they are performing well or not, but also to be a benchmark for others.

PROBLEM RESOLUTION

This can achieve mutually acceptable solutions by identifying problems, addressing concerns, recommending multiple solutions, and resolving conflicts. Solving problems involves both analytical and creative skills. Which particular skills are needed will vary, depending on the problem. The ability to successfully resolve conflicts depends on the ability to manage stress quickly while remaining alert and calm, to control emotions and behaviours, to pay attention to the feelings being expressed, as well as to be aware of and respectful of differences. In a globalised world it is necessary to add foreign cultures as a vital factor influencing organisational conflicts. Managers were therefore asked for their skills regarding problem resolution. Their answers are presented in Figure 5.

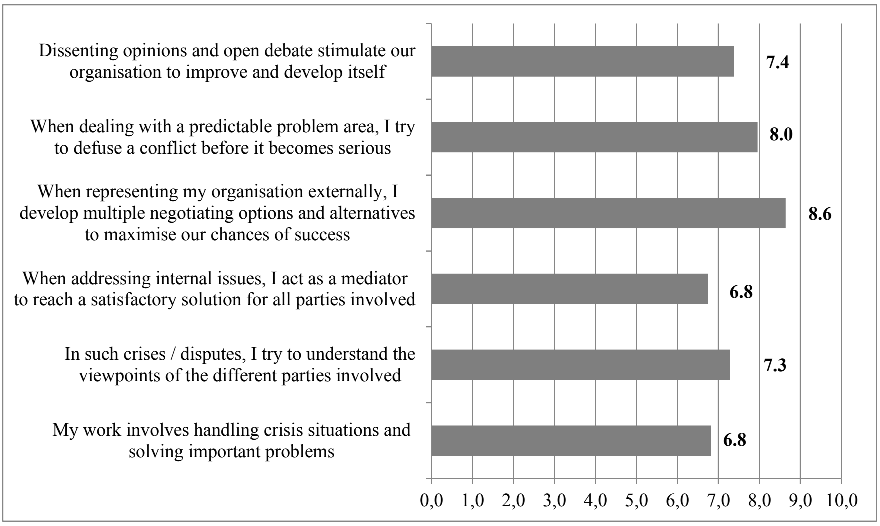

Figure 5. Problem resolution in clusters

Source: Own study.

Clusters in both countries have no serious conflicts (Lithuania had a higher average than Poland – 7.9 versus 7.0), but they do not use any sophisticated techniques either. It is based on the internal abilities of managers rather than learned skills or techniques. As long as an organisation is quite flexible and not formalised this is enough. However, along with ongoing developments managers have to acquire the skills required for problem resolution.

PROJECT MANAGEMENT

Most contemporary organisations work through projects. Especially in Central and East European Countries, as there is a significant supply of structural funds, where clusters run many projects. Possessing project management skills is therefore indispensable for achieving success and becoming effective. Managers were asked about using methods and tools, as well as IT systems, in project management. Their answers are presented in Figure 6.

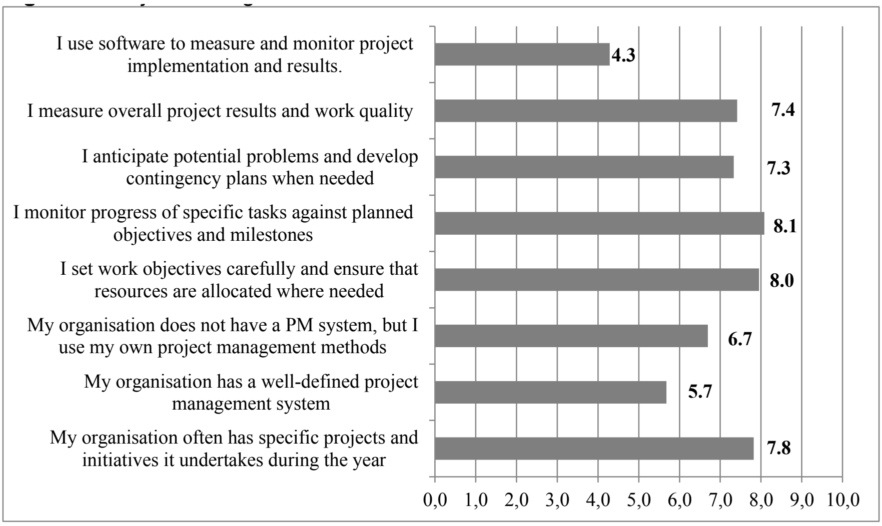

Figure 6. Project management in clusters.

Source: Own study.

As can be seen from the graph, managers generally do not use any management techniques. No-one in the sample had a Professional Project Manager certificate from any PM association (e.g. PRINCE 2 or PMI). Also, none had any IT system for Project Portfolio Management either. In general, Lithuanian mangers perceived themselves as better prepared for using PM techniques than their Polish counterparts (average answer 7.5 versus 6.3.).

STRATEGIC PLANNING

Strategic Planning is a comprehensive and sophisticated process for determining what a cluster should become and how it can best achieve this goal. This appraises the full potential of a cluster and its members as well as explicitly linking the business's objectives to the actions and resources required to achieve them. Strategic Planning offers a systematic process to ask and answer the most critical questions confronting a management team – especially large, irrevocable resource commitment decisions. Managers were asked how they dealt with strategic plans as well as all the techniques and tools used for determining organisation goals in the long term. Their answers are presented in Figure 7.

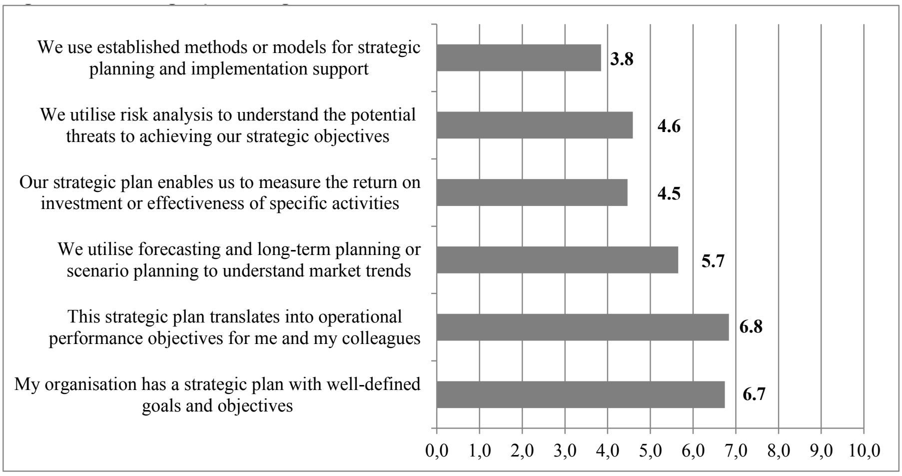

Figure 7. Strategic planning in clusters.

Source: Own study.

Only a few clusters have an established system for strategic planning. Only a few more monitor risk and evaluate the process of achieving strategic goals. None of the organisations admit to having a strategic plan which is constantly evaluated and corrected. Very rare was the use of even basic tools to measure returns on investment or monitor activities. Most of the above strategic planning techniques were well known; however, not used in practice. Lithuanian managers again had higher self-assessment grades than Polish managers.

TEAMWORK

Teamwork enables the organisation to accomplish tasks quicker and more efficiently than tackling projects individually. Cooperating together on various tasks reduces the workload for all employees by enabling them to share responsibilities or ideas. It should also be mentioned that teamwork reduces work pressure, which allows a worker to be more thorough in the completion of their assigned roles. Teamwork improves employee relations by enabling them to bond with each other, increases accountability, and also provides learning opportunities for all employees. Cluster managers were asked about the skills of encouraging team spirit and delivering teamwork opportunities. Their answers are presented in Figure 8.

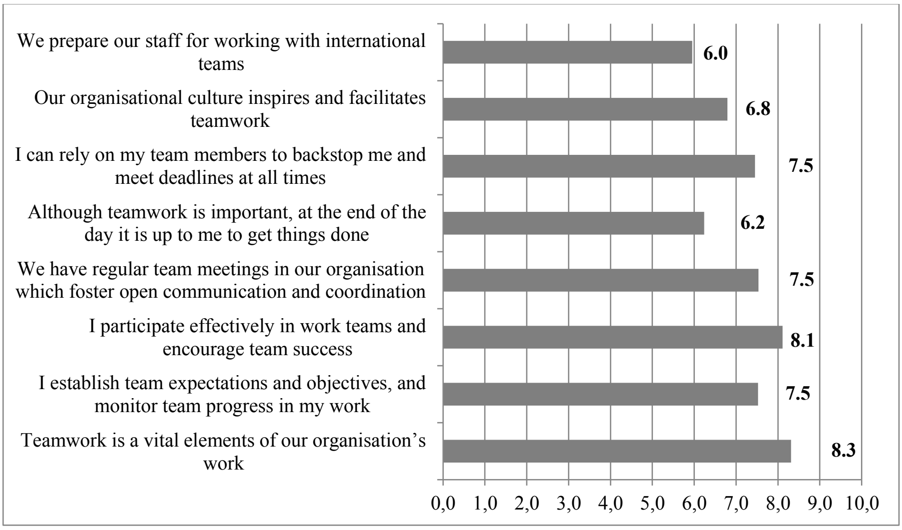

Figure 8. Teamwork in clusters.

Source: Own study.

The topic regarding preparedness for working in international teams received the worst assessment in both countries. Almost all clusters have serious problems with internationalisation, and usually operate locally or regionally. At the same time, managers perceived their environment as friendly towards teamwork, although they complained that at the end of day they were responsible for completing assignments. The assessments of Lithuanian managers were higher than their Polish counterparts – 7.7 to 6.8 respectively.

EMPLOYEE AND STAKEHOLDER DEVELOPMENT

Employee development involves a combined and on-going focus by employers and their employees to ensure that their skills, abilities, and knowledge are constantly being upgraded. For this to be a success there has to be a balance between the organization's needs and the individual's career goals and aspirations. Most of the training, whether for employees or stakeholders, comprises the following few forms: training programmes other than leadership, cross-functional training, leadership, and development planning. Managers were asked about the training programmes in their organisation. Their answers are presented in Figure 9.

Most managers declared poor training systems in their clusters. There is a lack of funds to finance training programmes, as well as managers being too involved in day-to day activities to have any time for improving their skills. The engagement of stakeholders is also not sufficient – especially in those clusters where there are no membership fees.

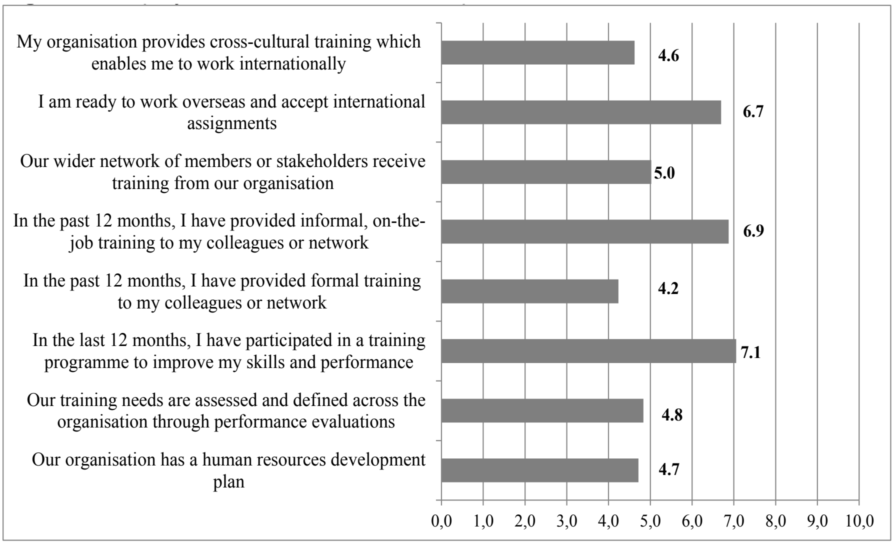

Figure 9. Employee and stakeholder development in clusters.

Source: Own study.

The manager is the only person responsible for establishing the training system for both themselves and other employees, as well as for stakeholders potentially interested in upgrading their skills. The average answers were almost identical in both countries, with a small plus to Lithuanian managers.

COMMUNICATION SKILLS

The roles played by managers in clusters usually involve complex relationships with people. Demands can be made that are sometimes conflicting and ambiguous. The practice of an educator's job can involve reconciling and managing these demands. Not surprisingly, interpersonal and communication skills often rank amongst the most critical for work related success and higher performance. According to research, a high level of individual success at work is characterised by 'emotional intelligence', or skills of social awareness and communication. Typically, these included the ability to motivate and influence others, to give honest feedback sensitively, to empathise and develop relationships, to monitor one's own behaviour, to handle emotions both of oneself and others and to read interpersonal situations and organisational politics. However, it is important to note that emotional intelligence, or the skills of social awareness and communication, can be developed and honed [Dixon, O'Hara, 2002]. Consequently, managers were asked about the communication skills they possessed. Their answers are presented in Figure 10.

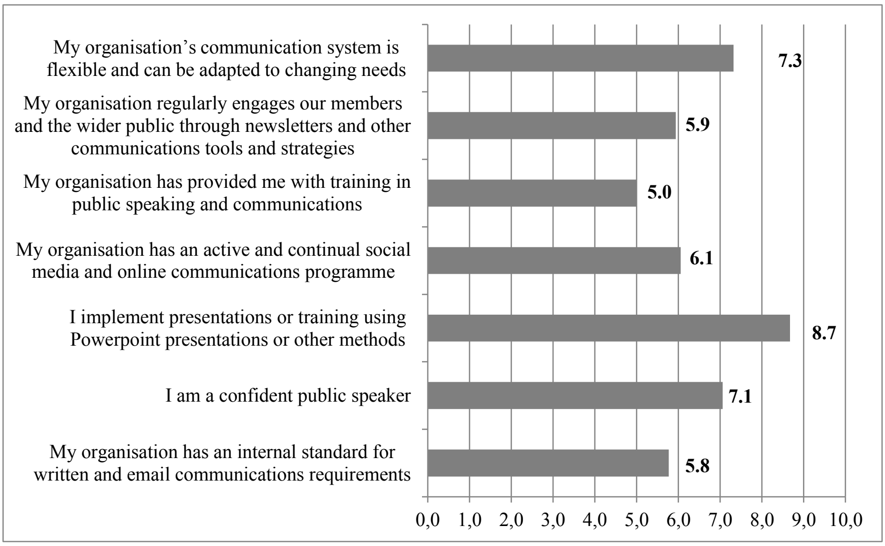

Figure 10. Communication skills in clusters.

Source: Own study.

For communication to be effective it needs to be embedded within a system using a few of those tools which tend to be most effective in particular circumstances. In most clusters the communications system is more an intuitive system rather than a formally planned one. There are no standard formulas for particular communication channels, and no feedback procedures or evaluation system. Managers are not systematically trained in communication skills and most skills have been acquired by themselves. They are quite advanced when using IT techniques for communication, especially using office software, but no so fluent in using the English language when performing in public. Polish managers assessed their communication skills slightly higher than Lithuanian managers.

RESPONSE TO TRAINING NEEDS

There is no doubt that cluster managers require training in many areas. Their perception of the skills they possessed was usually much higher than their real skills. Within the LdV project, five practically-oriented action learning modules were developed to emphasise the most significant training needs. They were as follows:

1) Strategy: methods of analysing the business environment and market, organising operations, planning annual activities, defining milestones and indicators, taking and monitoring decisions, and measuring results. The content was practically-oriented and not academic or theoretical in nature. It included a series of specific methods to be employed by each cluster,

2) Finance: a methodology for planning the financial activities and operations of each cluster. This resulted in a break-even analysis, financial targets, and costing analyses for different services offered by each cluster. Once the analysis was completed, each cluster had to define the revenue targets needed to cover their planned fixed and variable costs based on strategic targets and operating needs,
3) Marketing and Communications: this module focused on how each cluster can effectively market and communicate its activities within the country and abroad. The work focused on different active marketing and sales tools, identification of target groups, definition of sales planning activities such as the sales funnel or strategic integration, sales budgeting and ROI monitoring, and online marketing. Given that none of the clusters identified so far had an integrated e-marketing campaign, and that many lacked English language websites (or even national-language websites), a key focus was on e-marketing,
4) Internationalisation: this module focussed on working effectively with international counterparts, both for cluster management groups as well as for clusters working on behalf of their portfolio companies. This included development of website content, mailing campaigns, proper presentation skills and documentation, as well as delivery methods; e.g. preparing for trade fair participation, targeted marketing, negotiations, contracting and bidding,
5) Member Services: this module reviewed various means of working more effectively with members, shareholders and stakeholders. It included decision making, reporting, consensus-building, the development of new services (free and income-generating), joint promotional activities, target-setting, and work planning.

Each module was presented at a joint introductory session, followed by one-to-one coaching and development sessions given by Navigator Consulting Partners – a project partner.

The assessment of the training was very positive; however, training needs are much higher and require additional time to be spent.

RECOMMENDATIONS

Looking at the survey results, as well as the feedback after the training process, some recommendations for cluster managers can be formulated. These are as follows:

1) Managers have to continuously upgrade their skills and competencies; the learning process is an on-going one which never ends,

2) Managers have to build awareness with respect to clustering and the advantages of cluster membership; in most cases the companies gathered in clusters are not aware of all the benefits they can derive from clustering. In reality, cluster coordinators do not offer much added value in terms of membership services, which depreciates the value of the clustering idea itself; managers have to develop an array of services which attract new companies into the cluster,

3) Managers have to build mutual trust among cluster members; companies in a cluster compete with each other and therefore trust is the most important feature of cooperation in terms of cluster existence; it takes years to build trust, while losing trust takes but a moment,

4) Managers have to activate cluster members; the stakeholders in a cluster are generally not engaged in the cluster's activities since they do not see many benefits from such cooperation; the manager has to convince members that cooperation is beneficial, and encourage the undertaking of joint initiatives, because building strategic plans for a cluster requires the participation of all stakeholders otherwise it will become another redundant document on a shelf,

5) Managers have to plan strategic activities and optimise managemen processes; the management process in a cluster has to be professional, planned and evaluated in an easy to measure way,

6) Managers have to seek alternative solutions to the public funding of clusters; clusters in Poland and in Lithuania too often rely on public funding, so when the money dries up cluster activities end; such a policy for supporting clusters is beneficial on one hand and enables a cluster to survive in the early stages of existence, but at the same time it creates artificial clusters, too much addicted to public support; managers have to encourage stakeholders to co-finance the activities of the cluster, then they will also be much more engaged in the evaluation of cluster performance,

7) Managers have to work on improvements to innovativeness; in order to build long term competitiveness, cluster have to be much more innovative; the innovativeness of a cluster depends first of all on the potential of the companies and R&D entities as well as their capacity to cooperate and develop new solutions; the managers task is to foster the innovativeness process, as well as involving partners in the innovativeness process and in maintaining an innovative environment,

8) Managers have to work on improving cooperation within the cluster's neighbourhood; the final success of a cluster and its performance depends on the vital cooperation between companies, R&D institutions and public administration offices; the most important role of the cluster coordinator is to integrate all stakeholders and to build mutual trust, as well as initiate new projects initiatives,

9) Managers have to internationalise the activities of a cluster; in our contemporary, globalised world even small companies have to internationalise, otherwise they will remain small local organisation and die in the first wave of any crisis.

This set of recommendations does not cover all aspects of coordination, but focuses on the most important tasks.

CONCLUSIONS

It is obvious, that clusters do have a positive impact on regional prosperity and well-being. The results of the survey as well as an analysis of the materials obtained from clusters indicate however, that clusters do not possess adequate resources for the fulfilment of their tasks. This relates mostly to financial and infrastructural resources, though also to human. The above leads one to the conclusion that adequate instruments need to be created to support human resource management, the financial standing of clusters and the infrastructure accessible to their members. The differences between cluster resources in Poland and Lithuania are in some cases significant, with regard to the number of people employed, infrastructural capacity and available funds. Clusters coordinators undertake both large-scale activities, such as the development of joint products; and smaller-scale ones, e.g. the preparation of common advertisement brochures. Joint activities include mostly information, knowledge and experience exchange among cluster members; as well as marketing activities such as the preparation of common leaflets and web pages.

In the majority of cases, activities undertaken by clusters do not improve their innovativeness or competitive position. They allocate only a small proportion of funds to R&D. Neither do clusters undertake measures to provide legal protection for the innovations introduced therein. Surprisingly, cluster managers usually assess their competitive position more highly than they really should. The reason for such an attitude could be a lack of benchmarks, but sometimes simply arrogance as well as the necessity of showing the results to stakeholders. Another truth is that innovation is such an ambiguous notion, and has so many dimensions, that it is quite easy for an organisation to prove its innovativeness. However, clusters coordinators do use the potential of cooperation with foreign institutions or clusters to a small extent. They judge their own growth potential rather positively, but cannot evidence any wider international cooperation. In fact, in the area of internationalisation researchers noticed a larger gap compared to clusters in Western Europe. Polish and Lithuanian clusters do not have large financial resources. Only rarely do members pay fees, even when the amount is only symbolic. As members do not pay any fees, they usually do not engage in cluster activities to a sufficient extent. They do not have any interest in monitoring the process of spending public funds either. As cluster coordinators do not have any formal control over the members, they usually cannot do much to encourage members to be more involved. It sometimes happens that the coordinator is also the leader (not just a manager), but in most cases there is a lack of leadership in the organisation. The least positive aspect was the assessment regarding the influence of financial and organisational support from public authorities on the development potential of a cluster, and the opportunities for using external private financing. Investment attractiveness, the economic traditions of a region and cooperation with R&D units were included among the most important factors for cluster development. Only slightly more than 60% of clusters have formal development strategies. Many operate on the basis of an informal strategy. Some clusters do not have such a strategy at all [PARP 2010]. Not having a formal strategy that can be updated according to changing conditions is one of the main reasons for problems with performance management. None of the clusters had formal systems of performance management; single, basic indicators were used instead. There is a lot of to do on the road to professionalism in cluster management. The development of strategic plans and personal development plans based on key performance indicators should be the first step towards such professionalism.

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IV ENTREPRENEURSHIP

SOCIO-ECONOMIC IMPORTANCE OF FAMILY BUSINESS IN SELECTED COUNTRIES FROM ALL OVER THE WORLD

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INTRODUCTION

Family-owned enterprises are (in a broader sense) special kinds of economic entities, in which members of a family play a crucial role. The stakes in the firm belong in its entirety or in a greater part to family members while control issues span from the situation where one member has a decisive influence on management to the situation where the family exercises full authority on its own. Further features can be identified such as the eagerness to sustain independence in decision making and the need of assuring the continuity of ownership. The maximization of the firms profit is not the sole objective as the augmentation of the family's wealth can become equally if not more important. The bivalency of attributes realized through the specific relation between economic and non-economic aims (mainly the willingness to keep the ownership within family control).

Numerous definitions of the family firm have been proposed, most of which focus on a series of factors such as ownership, control and management. Nevertheless, there is still no single generally accepted definition of the family business. The precise definition of a family business has been one of the most written about aspects, and it's possible to find a vast range of definitions and concepts in the literature. Those definitions can be divided into three categories (Casillas, Acedo & Moreno 2007, 16):

- those related to content,
- those centered on the objective,
- those analyzing the structure of the family business.

Family enterprises share many similar characteristics, even if they are very different from one another. A family business may be small or large, listed or unlisted, and it can operate in any line of business. A common feature for all family enterprises different from other companies is that family, business and ownership are intertwined. Tagiuri and Davis (1982) presented the three circle model (Figure 1) where these segments are described as separate, but they are in very close interaction. Everyone in the family business system has one or several roles. He may be the owner of the family enterprise only or he may fall into all three segments at the same time as an owner, family member and an operative manager. (Jezak, Popczyk & Winnicka-Popczyk 2004.)

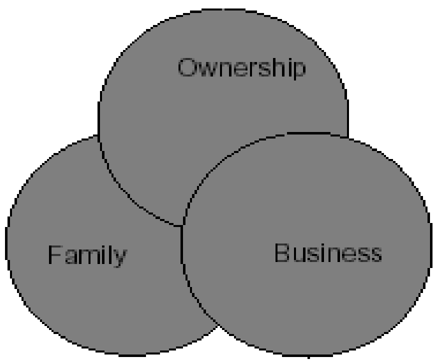

Figure 1. Family business system (Tagiuri & Davis 1982; [Cohen 1992, 34]).

A weakness in this three circle model is that it is static. Family, business and ownership are in constant change and this is not considered in the model (Jezak, Popczyk & Winnicka-Popczyk 2004). Gersick (1997) introduced a time dimension to the classic three-circle model, putting a dynamic model. Each of the circles passes through a series of different stages (Casillas, Acedo & Moreno 2007). For example the business circle is divided into: the moment of foundation, the process of expansion and formulation and maturity. However, the important point is not whether a business is a family one, but the level to which, and the way in which, a family is bound to a business and influences that business. The power a family firm has over a business may drive from ownership, from its influence and participation in the governing bodies of the business or its management (Frishkoff 1995).

A dilemma in family enterprises is the difference between the requirements of family life and business life. Collisions between the family and business occur e.g. in making a decision to employ a family member, to reward family members, to finance expansion of the business or to appoint a successor for the business. In any case, the family is often a major competitive factor in family businesses. The family shares a common history and identity that often strengthen the base for the business activities. Family members, in a manner of speaking, grow to form an entity with the business and this gives them better opportunities to acquire silent information on the business. The owning family puts a face to the business and the products often bear the name of the owner family. Family brings emotions to business activities, which gives an additional dimension to the rational decision-making (Jaffe 1990). The family members' set of values has a great impact on the formation of the business culture in the family enterprise. The culture of family entrepreneurship strongly determines the success of a family enterprise, generation after generation. Family enterprises often have unofficial decision-making systems and less formal organizational structures that enable more flexible management practices and improve the efficiency and swiftness of decision-making. It is easy to define the authority in family enterprises, which may in turn contribute to the swiftness of decision-making. The shares of a family business are often illiquid. They have no market value and they are often transferred within the family enterprise as an inheritance, gift or purchase to the next generation. Some family businesses are listed on a stock exchange, which improves the liquidity of the shares and enables the acquisition of new assets. Listed family enterprises usually combine the best aspects of the worlds of family enterprises and stock exchanges. According to an article published in Newsweek in December 2004, the share prices of family-enterprise shares increased by 206 per cent in Spain within a ten-year period (1993 – 2003) while share prices of other firms increased by only 47 per cent. In France, the respective figures were 203 per cent and 76 per cent. The ten best family businesses in Europe combine the strength of the family and the "discipline" of listed companies. Commitment is usually strong in family enterprises. Ownership in a family business is usually seen as "a gift from the previous generation and as a loan from the next generations". The objective of a family business owner is to transfer the family business to the next generation in better shape than that received from the previous generation. Long-term strategic planning is valued in family enterprises more than responsiveness to the figures in the interim report. Long-term planning also affects the business results. Maury (2004) shows that long-term and active commitment by the family enhances the firm's performance. The culture of family entrepreneurship usually involves major concern for the interest groups and for the surrounding community. (Kenyon-Rouvinez et al. 2002) They carry a strong responsibility for the employees, customers and subcontractors. In many family businesses, the employee turnover is low and employment may continue from one generation to the next. When a family business is transferred from one generation to the next, a major challenge is to avoid losing entrepreneurialism and innovation. The first generation owner-entrepreneur had a certain mission at the start-up of the business for which he was willing to work day and night and even to take some risks. The future owners of the family business should be encouraged to preserve this entrepreneurialism to make them responsible owners of the family business and not only investors. The characteristics of family enterprises – continuity, putting a face to the company and close interaction between the family and the business – may have a strong impact on the strategic choices in the business. If the entrepreneur has a vision to transfer the business to the next generation, his strategic choices are likely to be different to those of an entrepreneur who wants to make quick money from his business. The owners of family enterprises putting a face to the business are committed to the continuity of business activities.

The aim of this paper is to present the socio-economic importance of family businesses in selected countries from all over the world. The selection of the following EU countries will be analyzed, ex.: Spain, France, Italy, Luxembourg, Lithuania, Sweden, Great Britain, Denmark and Finland. The paper examines also countries from outside the European Union, such as: Australia, Brazil, Canada or Chili. The choice of countries presented in the paper was dictated by the availability of data. The data was taken from: European Commission report The Overview of Family Business Relevant Issues, Wealth with Responsibility Study 2000, ESADE & Family Business Knowledge, German Wealth Report, Italian Association of Family Businesses, Family Business Monitor, Australian Family and Private Business Survey. I was very difficult to compare results because research had been conducted using different definitions of family businesses and with different methods. That is why in some cases it was impossible to use this same measures.

FAMILY BUSINESSES IN THE EUROPEAN UNION

Presently there is no one common definition of family businesses used by politicians in legal regulations, in statistics or scientific research. However, we can find in many publications one common approach to family businesses. According to this approach a family business is a business in which the family retains ownership of the business and has a say in managing it - be it running or strategic management. Moreover, active involvement of family members into day-to-day business matters is taken into account while deciding if we have to do with a family or non-family business. Family businesses are as a rule classified as small or medium sized enterprises (SMEs). Nonetheless it is commonly known that they can take all possible forms of business activities and operate in all sectors. 70% - 80% of businesses in Europe are family businesses. They hire 40% - 50% of the labor force (Wealth with Responsibility Study 2000). Characteristic for European family businesses are strong relations between the family and its business. The family, both officially and unofficially, plays a pivotal role in the company. Family businesses focus on retaining long-term sustainability rather than on making short-term profits. Family enterprises have as a rule longer tradition than non-family ones. Next generations taking the helm of a family business are motivated not only by financial reasons but also by the desire to sustain its cultural and social resources (values, honesty, trust, reliability etc.). Another characteristic feature of European family businesses is the fact that the families have the upper hand in managerial structures. The downside of this dominance is that it may lead to nepotism or paternalism in management of the company. Decisions in such companies are often emotion-driven and made in an informal way. Family businesses are in the first place financed by private sources and in the second place by bank credits. Profits are often reinvested into the owners' company and the owners are more willing to wait longer for profits from an investment (the so called "patient capital"). Development of family businesses is usually stable and constant as opposed to non-family businesses, which develop in a more dynamic and changing way. In most European countries family businesses are not regulated by legal systems. However, there are a few countries in which family businesses are legally regulated. For example, in Austria the regional agricultural legislation defines a family business as an independent economic entity which provides a family with profit in a regular and sustainable way. Italian "Civil Code" defines a family business as a company in which family members (husband, wife or other closely-related family members) are employed in the company and at the same time own the whole or parts of the company. And in Finland and Spain family businesses are defined on the ministerial level.

In Denmark classification of family businesses is based on five types. A family which has 50% of shares in a company controls it and if a family possesses less than 50% of shares one of the family members must be the chief executive officer in the company. A family has a deciding say in the company if: The chief executive officer (CEO) and at least one board member are related or at least two family members are both CEOs and board members. One more condition is at least one generational change - succession. On the other hand, Spanish typology shows that small companies dominated by family members are by far most numerous and of special importance. Classifying family businesses in Spain also showed that the complexity of family relations in a company increases with time (ESADE & Family Business Knowledge 2006). Family businesses are divided into five groups: Captain („Capitan"), Emperor ("Emperador"), Family Team ("Quito Familiar"), Structured ("Estructorado") and Corporation ("Corporacion"). The group "Capitan" comprises 24% of Spanish family businesses. They are small and medium, of limited complexity, managed by the founder/owner. They are 28 years old on average. And the companies in the group "Corporacion" comprise 18% of family businesses in Spain. Characteristic for them is that the family and business spheres are very complex. Thus these are big companies with wide range of activities. They are on average 61 years old.

As already mentioned, it has been estimated that 70%-80% of companies in Europe are family companies. For example, according to the classification adopted in Denmark family businesses make up 65% of all companies. In Europe (on average) approx. 30% of family businesses are managed by the third or fourth generation. These companies provide employment to approx. 40%-50% of the labor market. About 40% of revenues in the private sector are generated by family companies.

There are 5.2 million citizens in Finland. Family businesses are an "engine", "anchor" and mainstay of Finnish industry. At the end of 1999 there were in Finland 79.7% of family businesses among all registered companies. And already at the beginning of the new century there were founded additional 202 000 family businesses and 78 000 farms belonging to families. Overall there were around 620 thousand people employed by family businesses (without farms). If we take all family members actively involved in the "life" of a company, we will get an estimated number of one out of every 15 Finns involved in a family business.

In Germany export companies belonging to the sector of small and medium companies are in huge part family businesses, which are the two mainstays of the German industry. It has been estimated that there are here between 1.3 and 3.2 million family companies. They hire about 22 million employees. It is also assumed that there are about 3 million one person companies, which are ranked as family businesses. They hire almost 70% of all professionally active persons. Family businesses invest annually USD 20 thousand million. According to the report "German Wealth Report 2000" in the years 1999-2004 some 320 thousand family companies groomed successors for managing the company in the future. Data from the report show that 84 thousand of these companies are going to deal with the problem of succession by selling the company to a third party.

In Italy in 2000 there were 4.7 million companies registered. "Italian Association of Family Businesses" estimates that 93% of all these companies are family businesses. Most of small and medium sized family companies are production companies specialized in manufacturing products of high designing and engineering quality. About 45% out 150 biggest public and private companies in Italy are family companies. Some of the biggest and most popular Italian family businesses are: Barilla, Bennetton, Ferragamo, Fiat, Lavazza, Pirelli or Versace. There is in Italy one of the oldest family companies in the world, 500 year-old Beretta, which is still run by the founding family. Research on family businesses in Italy is conducted by the Bocconi School of Management at Bocconi University in Milano, the School of Business Management at the University in Palermo, the School of Business at the University in Turin. In Great Britain family businesses make up 75% of all companies. It has been estimated that they hire 50% of all professionally active people.

Table 1. Economic indexes of family businesses in selected European countries.

Country	Percentage of companies	Percentage of employees	Percentage of revenues	Percentage of GDP	Others
Belgium	70% 52% of 100 thousand biggest companies	-	-	55%	-
Spain	85%	75% employed in the private sector	-	70%	65% of family busine sses are owned by the second genera tion, 25% in 2.9% by the 3th and 4th.
France	75% of medium companies and 20% of big companies	49%	59%	-	-

Table 1. Economic indexes of family businesses in selected European countries.
Source: Own work based on the Overview of Family Business Relevant Issues, Contract No. 30-CE0164021/00-51, Final Report.

	(3000 employees and more). 49,2% of 500 biggest companies				
Italy	93 % production companies with the number of employees lower than 50	98%	-	-	-
Luxembourg	70% 1/3 of 369 biggest companies	-	-	-	-
Sweden	54.5% 26.4 % of big companies (over 500 employees)	34.7 %	29.5 %	-	-
Great Britain	65% of companies from the private sector	41.9% of employees hired in the private sector	38.2 % of companies' revenues from the private sector	40.7%	-

Until recently family companies were associated with the sector of small and medium companies. For example, it is assumed that in Great Britain approx. 70% of SMEs (small and medium sized enterprises) are family businesses. However, research has been showing that some of the biggest European companies are actually family businesses. In Luxembourg, Norway and Sweden some 30% of biggest companies are family companies, and in Belgium there are about 50% of them. Research conducted by IFERA in 2003 showed that 37% of companies on the list of 500 biggest and richest companies are family businesses.[17] Presently family businesses operate in all sectors of activity. Current research has been indicating

[17] IFERA – the International Family Enterprise Research Academy, an international organization embracing researchers of family businesses.

that these companies are most active in the traditional and labor-intensive sectors such as: agriculture, production, craft, construction, tourism and retail trade. Family Business Monitor observed that about 40% of all family businesses operate in three sectors: production, construction and trade - both wholesale and retail trade [FBN International 2008]. Family companies are often present in market niches. For example, it was observed in Spain that family businesses more often than non-family ones are present in the food and beverages sector (27% vs 0.9%), in the media sector (7.5% vs 2.3%) or in the sector of finance and insurance (5% vs. 1.8%). In the immediate future we will certainly observe the presence of family businesses in such sectors as: consulting, fashion or information technologies (IT). The common feature of European companies is that their financial growth is not of paramount importance for them. For many of these companies a stable and sustainable development and its retaining for future generations are more important than a short-term and quick growth. Another common feature of family businesses are their networks of social bonds - bonds both in the companies and between the companies and outside entities. This may result in customer loyalty and an image of a reliable business partner. Characteristics of family businesses require that their owners/managers possess specific skills, skills which enable them to manage the overlapping of the family and business sphere as to guarantee their existence for generations to come. That's the reason why in Europe there has been observed the need to create special educational programs for family business owners and their successors.

FAMILY BUSINESSES OUTSIDE THE EUROPEAN UNION

Family businesses are becoming an increasingly more important group of economic entities characterized by social and economic criterion. Unfortunately in Poland family businesses are still not so deeply analyzed as it is the case in the United States of America, where these organizations account for 80% to 90% of all companies registered in North America. They generate 64% of GDP and employ 62% of people capable of work. Over 30% of companies classified as family companies are run by the second generation, 12% by the third generation and approx. 3% of family businesses are managed by the fourth and older generation. The oldest family company in the US is Zildjian Cymbal Co. of Norwood, MA, founded in 1623 in Constantinople. In 1929 the headquarters of the company was moved to the USA together with the family. The biggest part of US wealth belongs to family businesses. Analyzing 500 companies by means of the S&P 500 index showed that 33.6% of companies (out of these 500) are family businesses in which the family keeps on average at least 18% of shares, and the capital structure of these companies is the same. Functioning of family businesses is much more effective and efficient and the EVA index[18] is by 5.5% higher (approx. by USD 118.6 million) if decision-making is left at the discretion of the family and if the family owns the majority of the company. The recently set up so-called "young" family businesses and family companies with long-standing tradition (e.g. 50-year-old companies) operate much better than non-family companies. The ROA percentage, showing how effective assets are in generating revenues, is much higher (higher by 6.65%) in family business compared to non-family businesses. In the examined companies families were their owners on average for 78 years. Executive managers in family companies earn 10% less than their counterparts in non-family businesses. It is also very important that the wealth of a family business constitute not only tangible and financial values but above all intangible values, organizational culture and traditions, which guarantee the existence of these companies for generations (Wealth with Responsibility Study 2000).

In Australia family companies make up a considerable part of the Australian industry and have an important impact on it. They include 67% of companies form the private sector employing 50% of all available labor force. Caparison of the years 1997 and 2003 with regards to family businesses conducted by the Australian Family and Private Business Surveys provided the following results: 68% of managing director would like to retire in the next 10 years. In comparison to 1997 it is an 8% increase. 44% of family businesses are considering a partial resale, or letting in foreign capital at that moment or in the next 10 years - it is a 2% increase in relation to the year 1997. In the next 10 years estimated value of family businesses' wealth amounts to 1.6 trillion Australian dollars (= 1 trillion American dollars). In 1997 the research indicated that it were accountants rather than lawyers who mainly advised families in the process of succession. On the other hand the same research conducted in 2003 indicated that 29% of companies turned to accountants and the same number of companies used lawyers (Australian Family and Private Business Survey 2003).

Another country is Brazil. Brazil with its estimated population of 184 million is the most densely populated country in Latin America and the Caribbean and the fifth most populated country in the world. Brazil's GDP amounts to USD 498.4 billion, which makes Brazil the second largest economy in Latin America and the 8th biggest economy in the world. Brazil's economy generates 50% of economic output in Latin America. Family businesses comprise overwhelming part of the Brazilian business. In 1999 there were registered some 4 million businesses owned by families. Brazil is a country, in which family businesses were created in 20th century, and now they are managed by the fourth and fifth generation. Up to 70% of the biggest Brazilian companies are ranked as family businesses. The key sector

[18] EVA (Economic Value Added) - economic profit after taxation.

of the Brazilian economy is agriculture with vast farms wholly owned by families - their estimated number amounts to 4.1 million. In the "family" agriculture there is employed 77% of the agricultural labor force and family businesses hire 84% of the labor force from the whole number of people working in the broadly understood business - apart from agriculture. Research on family businesses is conducted by Sao Paolo Business School, the Business School Sao Paolo for International Management, and the Insitituto da Empresa Familiar.

In Canada, on the other hand, it has been estimated that family companies hire 4.7 million full-time employees and 1.3 million part-time employees. [19]Annual trade of family businesses amounts to around USD 1.3 trillion. 27% of people managing these companies are going to retire in 5 years, 29% in 6 to ten years, and the remaining 22% will leave their family businesses in 11 to 15 years. In spite of these data only 44% of these companies (or rather their managers) have the so-called "leaving strategy", and only 29% have prepared a succession plan. Only one third of people who have such a plan prepared it without involving their families. As oppose to American family businesses, which as a rule prepare a succession plan in order to contribute to the success of coming generations and retain ownership of their companies in the family, the Canadian owners of family businesses put greater emphasis on generating profits for themselves. They consider companies to be a potential source of wealth and keeping the company in the family's hands is secondary.

In Chili there are 15.7 million citizens living in 13 regions. With its GDP on the level of USD 72.1 billion (data from 2003) Chili is currently one of the most dynamically developing economy in South America. It has been estimated that as much as 75% up to 90% of all companies in Chili are family companies as far as ownership and control are concerned. 65% of companies classified as medium and big companies are in the families' hands. Chilean family companies are examples of well organized corporations with decentralized decision-making processes and with limited control of running activities by the shareholders (if there are any). Family companies in Chili operate in such economic sectors as: agriculture, food and beverages, mining and extraction, textiles, fishing and fish processing, timber industry and broadly understood production. Exactly in Chili there are headquarters of the family company Hacienda Los Lingues, which was founded in 1760 and is still being controlled by successors from the family of founders. Research in Chili examining family businesses are conducted by Families in Business Center at vde los Andes University and by the Family Business Center at Adolfo Ibanez University.

[19] This results from the fact that part-time work in various companies is popular.

CONCLUSIONS

The objective of this article was to present the socio-economic importance of family businesses in selected countries from all over the world. The analysis covered European Countries as well as selected countries from Latin America, Australia and Canada. Family businesses account for a high percentage of all companies in individual countries. They are also present in all economic sectors and branches providing employment for millions of people from all over the world. This is one of reasons why it is worth to analyze more deeply the phenomena of family business. As mentioned in paper introduction, family businesses differ from other companies. Their characteristics influence their organizational behavior and this in turn may translate into the domestic economy. In the European Union family businesses employ roughly 40%-50% of the labor force. One of the measures of their importance may be, for example, the percentage of registered companies being controlled by families. The percentage fluctuates between 70% and 80% in the European Union (EU), between 65% and 90% (depending on the used classification of family businesses) in Latin America and over 95% in the United States (Astrachan & Shanker 2003).

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THE DEVELOPMENT AND GROWTH OF CREATIVE ENTREPRENEURSHIP IN THE SOUTH-WEST OF ESTONIA

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INTRODUCTION

Developing entrepreneurship has become a nationwide priority in Estonia. It is not possible to develop entrepreneurship, if there are no people with potential and willingness to become employers to themselves and to create new jobs, which would enhance economic growth. People talk about the importance of micro and small enterprises more and more often, which is also called as the enhancing power of economy. The state offers different support measures to set up a business and to improve the competence of entrepreneurship and being enterprising within the studies on pre-school, basic, and high school level.

The purpose of developing creative entrepreneurship is to renew the country´s or a special region´s economical and entrepreneurial structure and to enhance the competitiveness of the region. The first nation-wide mapping in Estonia was carried out in 2005 and several regional studies have been following. According to the study of Eesti Konjuktuuriinstituut it can be concluded that creative industry constituted about 3% of Estonian gross national product in 2007 and employs 4.3% of working age population. Creative industry has been mapped regionally in Tallinn and Tartu and as creative industry is space specific, which means that it needs specific support and favourable conditions of the region to develop, thus a similar study was conducted in the south-west of Estonia in 2012 to develop this field.
Current article consists of two parts. In the first part the principle, from general to a single unit, has been used, thus the terms of entrepreneurship, entrepreneur, and enterprise have been brought out and an overview of different types of enterprises has been provided. In addition, several conceptions by different authors on entrepreneurship and the process of entrepreneurship have been brought out. Along with the description of the process one has started with the business idea and the components of business models and business plans. The theoretical part is mainly based on the following authors as Drucker, Gartner, Greiner, Shaver, Gatewood etc. The scientific articles which describe contemporary and historical viewpoints are being used.

LITERATURE REVIEW AND THEORETICAL MODEL

One must differentiate between different terms and their usage when studying entrepreneurship. Entrepreneurship as an action, entrepreneur as a person, and enterprise as an economic entity must be differentiated. Entrepreneurship has been traditionally defined as any (economic)activity which purpose is to earn profit. Entrepreneurship has been defined by different authors as Drucker (1985, 67), Kuura (2001, 369), Laas (2001), Pramanann Salu (2005) and Gartner (2008). Bosma et al. (2010, 4) emphasise entrepreneurship´s close connection with inner-entrepreneurship, entrepreneurship is carried out within an enterprise based on the initiative of its employees. It is important to bring out the fact that entrepreneurship encompasses a lot more than just laying the foundation to an enterprise or organising its everyday activities. Entrepreneurship can also appear in large organisations and thus all organisations and a huge proportion of people (from executives to clerks of local authorities) can act as entrepreneurs.

There is a tradition to differentiate between macro and micro approaches in enterprise. In addition to traditional approach of micro and macro level, meso and middle levels are differentiated as well. Differentiating extra level is necessary prerequisite for entrepreneurial co-operation and networks, as networks can include vast amount of entrepreneurs, public and non-profit sector organisations included. Based on these arguments Dopfer (2011, 144–145) concludes that networks are not best suitable neither for micro nor macro level. Networks are most influencial in creative entrepreneurship.

In the mass media and academic writing authors talk and write about business ideas, business models, and business plans. People often do not understand the difference in the meanings between those three terms. Sullivan and Meek (2012, 429) offer one possible connection between those terms. Marcum et al. (2005, 15), Kullerkupp (2007, 88), Miettinen et al. (2008, 29), Biais and Perotti (2008, 1105), Odres (2009, 26) and Omansky (2011: 198) have discussed the term business idea in a profound way. The most important aspect of a business idea is its implementation not finding it. The next level following a business idea is business model. According to Chesbrough (2010, 362) an appropriate business model has become the key factor of innovative entrepreneurship. Gartner et al. (1994) claim that there is no "middle" when it comes to entrepreneurship. Gartner et al. (1994) and Teece (2010, 176) suggest familiarise with different methods when starting a business, not to look for "the best solution that fits everybody". Shafer et al. (2005, 199), Pärna (2010, 2), Osterwalder and Pigneur (2010, 16-17), Lehari et al. (2012, 49), Flamholtz and Randle (2012, 84) and Chatterjee (2013, 98) write about business models as well. The next level from business model is comprising a business plan. Different authors have different understanding about the components of a business plan (table 1).

Table 1. Components of a business plan.
Sources: Sellars (2009, 4–5), Allen (2003, 233–236), Kullerkupp (2007, 39), Parks (2005), EAS. The structure of a business plan (2013).

	Sellars	Allen	Parks	Kullerkupp	EAS
Summary of activities	+	+	+	+	+
Analysis of opportunities	+				+
Organisational overview	+		+	+	+
Marketing plan	+	+	+	+	+
Financial plan	+	+	+	+	+
Supporting documents	+				
Analysis of market		+	+		+
Action plan		+		+	
Organisational plan		+			+
Technological solution		+		+	
Plan B		+	+		+
Growth plan		+		+	

Entrepreneurs are being characterised by different characteristics. Ehrstén and Kjellman (2003, 5) bring out two types of human behaviour - homo industrialis and homo entreprenaurus. Both types of skills/knowledge are necessary for entrepreneurs, some are essential in starting up and initial phases but keeping the business running is important as well. Davidsson and Honing (2003), Manimala (2009, 126), and Macpherson and Holt (2007, 172) have similar opinions, according to them an entrepreneur must have distinguishable and innovative thinking to generate ideas, but technical knowledge and skills acquired through evaluation and implementation are no less valuable.

Creative entrepreneurship has become more and more important topic within the last decade (Klamer 2011, 147). Describing a creative entrepreneur has proved to be a difficult task as the term combines two contradictive fields – entrepreneurship and culture (HKU 2010, 10). Meanwhile, Fritsch and Sorgner (2013, 21) claim, based on the results of their research, that there is a significant correlation between creativity and entrepreneurship. Creative entrepreneurship is based on individual and collective creativity, skills, and talent, and it is capable of creating wellness and jobs through creating and using intellectual property. The fields, where creative entrepreneurs are active, are (Müristaja et al. 2012): architecture, audio-video, design, performance, IT technology, publishing, art, museums, music, advertising, photography, events/festivals, hobbies, literature, and handicraft.

To conduct a survey it is also essential to be aware of the growth or developmental phases of organisations. There are many theoretical approaches to these phases. According to Snaith and Stone (2007, 3) organisations can grow in two different ways – either organically or strategically, Bessant et al. (2005, 12) call these ways "hike" or "evolution", Greiner (1972) classifies processes as evolutional and revolutional. Miller and Freisen (1984, 1162) distinguish five phases in organisational life cycle: birth, growth, maturity, revival and decline. Although organisational growth and developmental models describe well a middle-size organisation, but there is no single business model that suits any organisation neither can we describe any organisation with the same maturity model. Every organisation is unique and besides its field a vast number of other factors influence them.

METHODOLOGY

Instrument, data collection method, and respondents

The survey was carried out among creative entrepreneurs in the western region of Estonia and as a result a report on the macroeconomic aspect of creative entrepreneurship of the western region of Estonia was compiled. Creative entrepreneurs from the counties of Pärnu, Lääne, Hiiu, and Saare participated in the survey. The purpose was to enhance creative entrepreneurship in the western region of Estonia through offering necessary support services and co-ordinating co-operation network.

To identify the general sample of a quantitative survey, the help from the consultants of the regional developmental centres and their databases were used, which was enhanced with data that could be found on the Internet. The purpose was to map as many creative entrepreneurs as possible. Finally, there were 888 organisations on the list (numbers by counties: Läänemaa 228, Saaremaa 182, Hiiumaa 192, and Pärnumaa 286). (Müristaja et al. 2012)

A semi-structured questionnaire was used as a method. An electronic environment was used to deliver the questionnaire to the respondents, this environment enabled to send a unique survey invitation link to each participant. The invitations were sent to respondents three times, each following time the representatives of those organisations who already had answered were left out. Questions were chosen based on previous surveys conducted in Estonia, which would enable comparison with other regions.

The pilot phase of the survey took place during the period from 26.03 to 02.04.2012, during which the data was collected from four respondents. Based on the feedback received from the respondents, small improvements were made in the questionnaire and the main survey took place during the period from 17.04 to 15.06.2012. The data collected during the survey were received as a MS Excel file from the Internet environment, they were organised and analysed. The purpose of the 2012 analysis was to map the field of creative entrepreneurship in the western region of Estonia, and as the term refers, to find out the influence on the region.

181 creative entrepreneurship organisations took part in the survey, number by counties were accordingly Hiiumaa 41, Läänemaa 45, Saaremaa 21, and Pärnumaa 74. The report of the survey was completed in autumn 2012. As a result of the survey it was found out that compared to Estonian average there is a high proportion of female entrepreneurs among creative entrepreneurs. In the analysis of the results the authors concentrated on bring out differences between female and male entrepreneurs as well as differences between private limited companies, local governments, and public organisations.

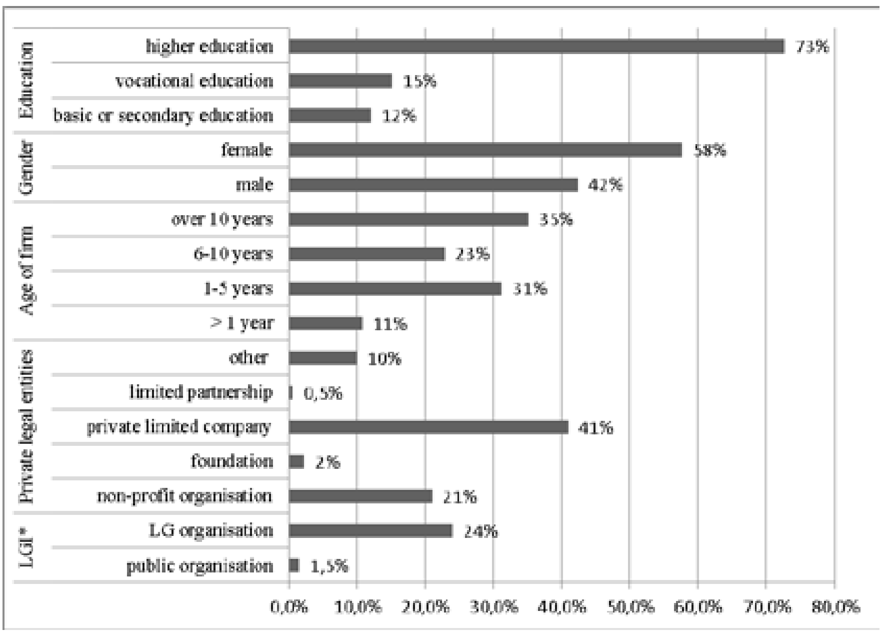

Figure 1. Distribution of respondents by gender, age, education, and citizenship.

*LGI – local government institutions

ANALYSIS AND RESULTS

Current article deals with the south-west region of Estonia, which stems from the European corporate nomenclature of the statistical regional distribution (NUTS3 level), Lääne, Hiiu, Saare, and Pärnu counties belong to this region.
The reason for starting up the respondents brought out the wish of self-actualisation, 91% of female respondents and 85% of male respondents considered it to be very important. The difference between male and female answers came out with the topic of accepting a challenge – surprisingly more women wanted to test themselves. The Shaver´s theory covered those questions as well, but contributing to the society is a specialty of creative entrepreneurs. It is especially important for female entrepreneurs – almost 70% of female entrepreneurs wished to contribute something to the society.

The respondents were asked which fields are important to them when choosing a location for the organisation (figure 2). The respondents could provide their evaluation on a 5-point scale and the following figure shows clearly the differences between female and male as well as private and public entities. The most demanding were public sector organisations. The average results of all the aspects were more than 4 points. Male respondents had the lowest expectations, females had higher expectations to the enterprise environment. General evaluation on expectations was relatively high. Entrepreneur´s personality traits, the need for accomplishments and being demanding could be the reasons.

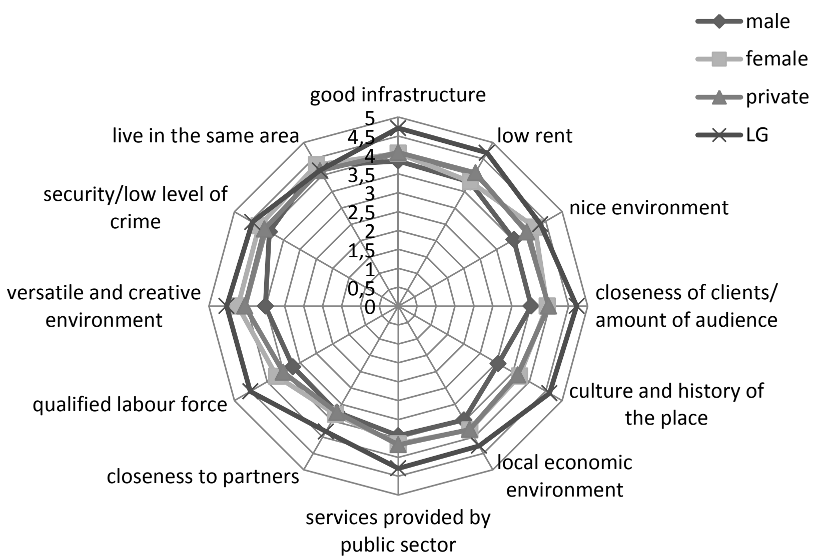

Figure 2. The criteria of choosing the location of the organisation.

Creative entrepreneurs were asked about their competitiveness as well. Qualified labour force and quality products and/or service were on the top of the list. Price advantage and activity planning was named less often as a competitiveness advantage. On can conclude that an enterprise process is not always well planned and many creative entrepreneurs act intuitively. One interesting fact was also found – creative entrepreneurs do not see trustworthy partners and location as a competitiveness advantage.

In theory co-operation follows the organisation´s maturity phase. Thus, co-operation requires an organisation to be large. Studying creative entrepreneurs it was found out that they value co-operation inside their own field highly and the result is remarkable – about 80% co-operates with other organisations within the field of creative entrepreneurship (figure 3). Among topics joint offers were mentioned most often (surprisingly higher among male respondents), joint marketing and joint courses.

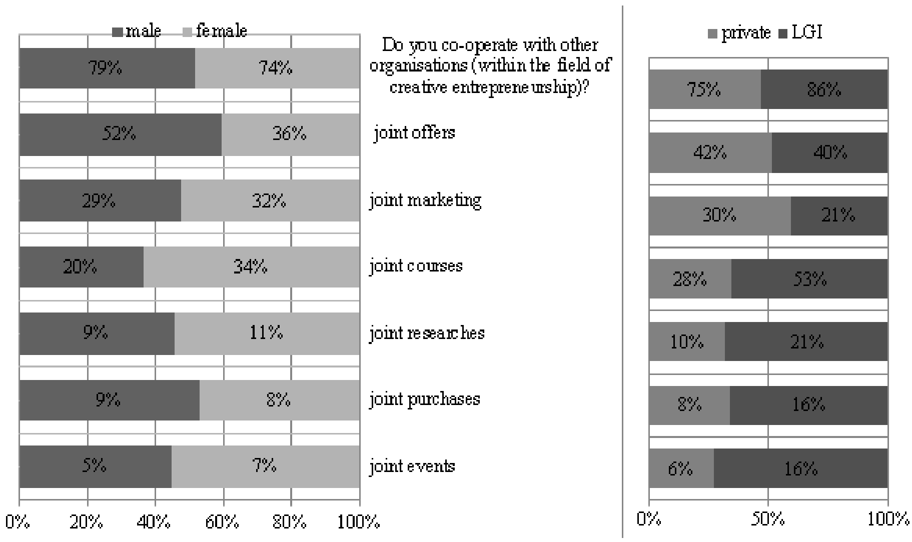

Figure 3. Co-operation with people outside creative entrepreneurship.

Creative entrepreneurs were asked whether inner organisational problems had occurred within the last year, which have impaired organisation´s development. Those who had had problems were asked what kind of problems they were. 22% of the respondents reported having inner problems. Müristaja et al. (2012: 40) divided answers into five groups: connected to finance, labour force problems, lack of time, being passive, and other reasons. Financial problems were reported most often (restricted financial opportunities, problems with getting a loan, instability of income, low profitability, high rent, availability of necessary own finances applying for benefits and subsidies). Problems connected to labour force were the second category (lack of qualified labour force or lack in a certain region, low qualification of employees). Lack of time was also noted, which does not enable to implement all the necessary developmental activities and passivity of local people was also worrying. As most enterprises are micro enterprises, private life events influence the effectiveness of an enterprise (birth of children, acquiring education through life-long learning, partner´s death etc).

Respondents´ opinions about organisation´s developmental goals for the next years are described in table 2. Respondents could provide their opinion on a 6-point scale, "one" marking the most important goal and "six" the least important. Table has been compiled in order of importance. According to the table 2 men and women have different wishes for development. The only aspect they value the same way is the price compared to competitors. This is not a goal neither for men nor women in the following years. Men and women have different wishes about market share and profit growth. One can speculate about the reason. As women value high quality of product/service already at the beginning then this is not a priority anymore, the problems are found elsewhere.

Women´s most important wish connected to organisation is bigger share of market. Men seem to worry about the quality of products/services, which is also a developmental goal for the following years. It is also possible to see the differences of public sector organisations – the growth of profit and turnover and reducing costs are considered not to be so important. There is a contradiction between local governments and public organisations´ drive for cost effectiveness.

Table 2. Organisation´s most important developmental goals for the next years.

MEN		WOMEN		PRIVATE		LG	
higher quality of products	1,8	bigger share of market	1,9	wider or more attractive choice of products/ services	2,0	more satisfied customers	1,7
wider or more attractive choice of products/ services	1,9	more satisfied customers	2,0	higher quality of products	2,0	high level customer service	1,9
growth of turnover	2,1	wider or more attractive choice of products/ services	2,1	bigger share of market	2,1	higher quality of products	2,1
going to foreign markets	2,2	higher quality of products	2,2	more satisfied customers	2,2	wider or more attractive choice of products/ services	2,4
growth of profit	2,3	high level customer service	2,3	growth of turnover	2,2	bigger share of market	2,7
bigger share of market	2,4	growth of turnover	2,3	going to foreign markets	2,4	the growth of employee professionalism	2,7
more satisfied customers	2,4	going to foreign markets	2,6	high level customer service	2,5	less costs compared to competitors	3,7
the growth of employee professionalism	2,4	growth of profit	2,6	growth of profit	2,5	going to foreign markets	4,8
high level customer service	2,9	the growth of employee professionalism	2,7	the growth of employee professionalism	2,6	growth of turnover	5,3
less costs compared to competitors	3,6	less costs compared to competitors	3,6	less costs compared to competitors	3,6	growth of profit	6,0

According to the survey there is a significant connection between theoretical viewpoints and values of creative entrepreneurs of western region of Estonia. Creative entrepreneurs are active in co-operation with inner-field as well as with other organisations (both organisations and people). There occurred problems when applying for benefits/subsidies, which could be due to lack of knowledge and skills. Entrepreneurs are skilful in their own field but they lack general knowledge concerning entrepreneurship environment.

CONCLUSION

According to the survey starting entrepreneurs are active in buying a business plan but consultants should encourage them to compile the business plan themselves. This excludes the opportunity that a third party would decide what the entrepreneur does.

If a potential (creative)entrepreneur turns to a consultant, which is usually based on the necessity (in most cases), having the meaning that a person has a wish to become an entrepreneur but he/she does not know what to do, then usually incremental innovation is being advised. To maintain stabile income it is possible to find the field (e.g. stemming from hobbies) and turn it into a source of income. There are possible developmental activities in table 3.

Table 3. Activities helping creative entrepreneurs.

Entrepreneur	Possible activities (in addition to EAS support and opportunities)
Potential entrepreneurs	• Entrepreneurship pictured in media (successful stories of creative entrepreneurs) • Organising seminars and informative lectures with different unions of creative entrepreneurship
Starting entrepreneur (up to 1 year)	• Counselling in choosing business model • Compiling co-operation groups and providing mentoring to starting entrepreneurs
New entrepreneur (4-42 months)	• Creating mentoring network • Suggesting to compile a business model (as a developmental tool)
Mature entrepreneur (more than 42 months)	• Creating mentoring network

In order to ensure economic growth and development of entrepreneurship and the whole territory of the country would be sustainable, it is important to facilitate the foundation of small businesses and to increase the number of creative entrepreneurs. Creative people often do not realise the entrepreneurial potential within them, thus, they need more support and counselling. Supporting regional and sustainable organisations, is an area of nation-wide importance in Estonia.

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V SOCIAL WELFARE AND WELLBEING

IS THERE A NORDIC MODEL OF ELDER CARE? - SIMILARITIES AND DIFFERENCES BETWEEN DENMARK, FINLAND, NORWAY AND SWEDEN

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INTRODUCTION

The Nordic countries of Denmark, Norway, Sweden and, with some exceptions, Finland have often been seen as forming a Nordic welfare model characterized by social solidarity, universality of social programs and a high level of social protection (e.g. Kautto et al, 1999; Kildal & Kuhnle 2005; Ervasti et al. 2008; Bertilsson & Hjorth-Andersen 2009). A particular feature of the Nordic welfare model has been said to be the central role of public, needs-tested social services, especially care services, together with the strong involvement of municipalities or counties in the production of social care (Anttonen & Sipilä 1996; Abrahamson 1997; Sipilä 1997; Cox 2004).

In addition to Esping-Andersen's (1990) well-known regime theory, comparative studies clustering different European countries have been ample (e.g. Leibfried 1992; Siaroff 1994; Ferrera 1996; Pierson 2001). The regime research has concentrated mainly on similarities inside the clusters and differences between them. Much less research has been done on differences inside the clusters – even though the Nordic countries, for example, differ significantly when diverse parts of welfare state are scrutinised more closely (see for example Kautto et al. 2001; Lahelma et al. 2002; Brochmann & Hagelund 2011). In this article we examine care for older people, and especially social care services, across the four Nordic countries of Denmark, Finland, Norway and Sweden. The focus is on care and social services for older people as the population in the Nordic countries, just as in other advanced capitalist economies, is ageing rapidly. This is likely to increase the demand for both care and social services. Population ageing is also recognized as one of the main challenges to the Nordic welfare states in the coming decades (Greve 2007; Normann et al. 2009).

In comparing elder care in these four Nordic countries we wish to find out if there is such a thing as a Nordic model of care for older people. What are the differences and similarities among these countries regarding organization, expenditure and extent of elder care, and the role of informal care? If they exist, what are the possible explanations for the most outstanding differences? What kind of conclusions can be drawn about the unity of the Nordic countries when long-term care for older people is examined? Finally, what can be said about the current state of elder care when the key elements that describe the ideal type of Nordic elder care are used as a reference point?

According to Hvinden (2004, 171), the ideal type of Nordic elder care contains the following aspects, which are reworked from the key elements of the Nordic model of disability policies.

> Legislation and organization ensure equal rights for care and services regardless of geographical, social, economic, ethnic or other differences.
> Public expenditure on care is in a major role compared with private expenditure. The supply of universalistic, needs-tested care services is ample and aims to enhance the autonomy of older people and their independence from informal care (or charity).

Similar key characteristics would also apply to other social or health care services in Nordic welfare states (see for example Rostgaard & Lehto 2001; Rauch 2007).

DATA AND CONCEPTS

We compare Danish, Finnish, Norwegian and Swedish long-term care (LTC), including public social services for older people and informal care, by using comparable international data provided by the Organisation for Economic Development and Coordination (OECD), the European Union (EU) and the Nordic Social Statistical Committee (NOSOSCO). National statistics and research literature are used when comparable data is not available. We rely on the harmonisation of the indicators in international statistics even if one should keep in mind that some conceptual differences remain in the statistics (see Edebalk 2004). Yet, we are aware of the difficulties in comparing social care services between countries. There is, first of all, no agreement on what counts as social care. The same services might be provided under different fields of administration. Also, due to the lack of standardization the statistical principles vary (Anttonen & Sipilä 1996).

We start by defining the concepts and by briefly presenting the Nordic countries and their systems of long-term care, followed by a closer look at long-term care, with the help of statistics. After this we analyse the role of informal elder care in the Nordic countries. We conclude by summarising the main findings on care for older people in the four countries and reflecting how compatible they are to the ideal type of Nordic elder care.

Long-term care refers to the help and support needed in activities of daily living over a prolonged period of time (OECD 2011a, 39). Long-term care consists of institutional care and home care (or home-based care) and may include both health and social care services [20]. Here we focus mainly on social care services; health aspects are mainly included when nursing is part of home care. Informal care refers to care provided by kin and other close people, with or without the support of cash benefits and services. Formal care, on the other hand, consists of public and private care services. Public care services are organised, albeit not necessarily provided, by municipalities, whereas private care services are produced and purchased in the market.

As for the concepts used in this article, formal care refers to both institutional care and home care. Institutional care covers nursing homes and in Finland also long-term care provided in health centers (see NOSOSCO 2009, 159). Residential care, i.e. sheltered housing, service flats or other housing where care is provided is not institutional care but homes where care is easily available. Home care or home-based care is a service provided in the private home of the older person. It includes daily living skills, home help, i.e. taking care of the household – cleaning, for example – and on the other, personal care such as assistance with dressing and washing (see Szebehely 2003, 23–24). Home care may also include home nursing, which is health care provided at home. Finally, assistive services are also part of home-based services and thus part of home care. These include home adaptation, 'meals on wheels' and assistive devices. In this article we use the concepts of home help and home care according to the research or statistics we are referring to. Mainly, however, home help refers to personal help and assistance with household chores, whereas home care includes also home nursing.

[20] For example in OECD statistics total long-term care spending is calculated as the sum of services of long-term health care and social services of long-term care. The former, which represent health-related long-term care spending, include palliative care, long-term nursing care, personal care services, and health services in support of family care. The second, social services of LTC, include home help (e.g., domestic services) and care assistance, residential care services, and other social services.

ORGANIZATION OF ELDER CARE IN NORDIC COUNTRIES

The organization of care in the Nordic welfare states has many commonalities. A great part of social programs are funded by taxation (local and/or national) and responsibility for the implementation of these programs rests mainly on democratically run local councils or municipalities. Some programs, for example income transfers in Finland, Norway and Sweden (NOSOSCO 2009, 269–272), are also run by regional authorities or national bodies. A broad range of social services and benefits are designed to cover the entire population at various stages of life. This means that not only the needs of the 'poor' are addressed, but also the needs of middle and professional classes (Rothstein 2009). This is assumed to enhance solidarity across social classes.

Long-term care is a public responsibility in all Nordic countries. The national legislation and central governments determine the principles of public long-term care and the municipalities or counties arrange the services and organise the needs assessment processes. Public elder care in Denmark, Finland, Norway and Sweden is needs-tested, but not means-tested. At a general level, Nordic people have a right to receive the indispensable subsistence and care which is vocalised in the national legislation of all four countries: people have the right to individual needs assessment, the right to receive a decision or plan for care and services based on the assessment and the right to appeal to court in case of dismissal of services or procedural fault (Schulz 2010; Kröger & Leinonen 2011; Vabø 2011; Szebehely & Trydegård 2011a). Still, none of the countries offer subjective rights to elder care and there is variation in the intensity and extent of care both between countries and inside each individual country.

Alongside the national legal framework and guidelines, the municipalities have local guidelines for implementing long-term care policies. The personnel in charge of needs assessments must take into account the financial constraints of the municipal budget when allocating care services. Thus the starting point for services might be what the municipality can offer, rather than what the person's real individual needs are (Szebehely & Trydegård 2011, 240).

During the past decade(s) the Nordic countries, in line with many other countries, have been reforming their public services toward more liberal and market-like arrangements. While the main responsibility for long-term care continues to rest on public authorities, an increasing amount of public services are provided by private companies (Vabø 2011). In all four countries, some public services are contracted out but remain publicly financed. The pace and extent of marketization varies. On a general level, outsourcing has proceeded more rapidly in Sweden and Finland, whereas public provision has continued to a greater extent in Denmark and especially in Norway. Yet there are significant differences within the countries: often the largest cities have implemented purchaser-provider splits and/or outsourced care services more widely than smaller cities and towns (Karsio & Anttonen 2014).

In Denmark, private home care providers have operated alongside municipal providers since 2003 and have proliferated significantly during the past few years, but services are still almost completely financed by the municipalities (Rostgaard 2011, 83). Of the permanent home-care clients who receive practical assistance, about one-third gets it from a private provider, but private providers answer for only 5 percent of personal assistance. As practical assistance only counts for 15 percent of the costs of home care, the share of private provision is not very large (Krevi 2011). In Norway, the share of private home care providers is about 6 percent of all provision (Hermansen 2011, 22). In one of the largest cities in Norway, Bergen – where marketization has proceeded more rapidly – about 13 percent of home-care clients have chosen a private service provider. About 9 percent of residential care and nursing homes are private (Christensen 2012). In Sweden private provisions of tax-financed elder care services count for 19 percent of home care and 19 percent of beds in residential care (Meagher & Szebehely 2010, 6). In the capital, Stockholm, 60 percent of home-care hours are privately provided (Szebehely 2011, 229). In Finland almost a third of home-care clients receive all or a part of services from private companies. In addition, over half of residential care, for both those with more and less intensive care needs, and 12 percent of institutional care are provided by companies in Finland (Arajärvi & Väyrynen 2009).

A comprehensive and comparable picture of the scope and type of marketization is impossible to draw, but the tendency is clear: marketization is well underway in the sector of elder care in Nordic countries. A concurrent process in these countries, with the exception of Denmark, is the targeting of care services for those with more demanding care needs (Anttonen & Häikiö 2011a; Szebehely & Rostgaard 2012). As a result of these developments, the Nordic universal welfare state seems to be gradually transforming into a multi-tiered welfare state with increasingly individualistic social programmes (Blomqvist 2001; Kvist & Greve 2011; Anttonen & Häikiö 2011b).

EXPENDITURE ON OLD AGE AND CARE

According to the ideal of the Nordic welfare model, private expenditure on care should be at a low level in Nordic countries. There are no obligatory private old age insurances or other mandatory expenditure. All necessary services are in principle offered by public authorities at an affordable cost. The publicly funded services often have user fees, and hence some private expenditure is related to the use of public services. However, the user fees are mostly either very low or related to income. In 2008, public long-term care user fees accounted for approximately three percent of total expenditure in Denmark, and six percent in Finland and ten percent of expenditure on institutional care in Norway (NOSOSCO 2009, 194–195). In Sweden user fees cover between 4 and 5 percent of actual costs (Szebehely & Trydegård 2011b, 305).

According to OECD Social Expenditure Statistics (2010), in 2007 voluntary private expenditure on old age, including pensions and benefits in kind, was around 2 percent of GDP in Denmark and Sweden and less than 1 percent of GDP in Finland and Norway. Denmark has the highest private expenditure as such and also as a share of public expenditure which varied in the Nordic countries between 6.2 percent of GDP in Finland and 9 percent in Sweden. (See Table 1.)

Table 1. Expenditure on old age as percentage of GDP 2007 (OECD 2010).

	Public expenditure (OECD 2010)			Voluntary private expenditure
	Cash benefits*	Services**	Total	Total***
Denmark	5.6	1.7	7.3	2.2
Finland	7.4	1.0	8.4	0.2
Norway	4.5	1.8	6.2	0.6
Sweden	6.6	2.3	9.0	2.1

*Includes pensions, early retirement pensions and other cash benefits
**Includes residential care/home help services
***Includes private pensions, insurances and services.

As marketization has proceeded considerably since 2007, but more up-to-date statistics on how much additionally people spend on out-of-pocket help are not available, it is hard to estimate the total amount of private expenditure at the moment. Finland, Denmark and Sweden offer a tax rebate aimed at increasing the private purchase of care services from companies. In Finland and Sweden, however, the deduction is mainly used for services other than care, and among older people, it is used primarily by those with higher incomes (Szebehely & Rostgaard 2012; Veronmaksajain keskusliitto 2012).

The OECD statistics in 2008 show that private expenditure on LTC [21] is very low (see Table 2). It is practically non-existent in Sweden and highest in Finland, at 0.4

[21] LTC receivers are not only older people even if people over 65 years old are the majority of LTC clients, varying in the Nordic countries from about 70 percent in Norway to almost 90 percent in Denmark (OECD, 2011a, 41).

percent of GDP (OECD 2011a, 46). Thus, according to the statistics from 2007 and 2008, it can be estimated that regarding care and services, private expenditure in the Nordic countries is minor in comparison to public expenditure with the exception of Finland. When it comes to expenditure on old age, however, including pensions, voluntary private expenditure is rather high in Denmark and Sweden (Table 1). This becomes visible when the figures of Denmark and Sweden are compared to those of other European countries. Only in four countries two percent or over of GDP is privately spent on old age and in rest of the countries the share is one percent or less (OECD 2010).

The low private expenditure on LTC explains at least partly why Sweden spends the most public money on LTC (3.7 % of GDP). However, the other three countries studied (over 2 percent) also spend more public money than the OECD countries on average on LTC (1.39 percent) (OECD 2011c, 179). The OECD statistics in Table 2 include institutional care and home care and covers both health and social care services to people with chronic conditions and disabilities needing care on an ongoing basis (OECD 2011c, 179).

Table 2. Public (OECD 2011c, 179) and private expenditure on LTC (OECD 2011a, 46) as share of GDP, 2009 (or nearest year).

	Public expenditure on LTC, % of GDP 2009	Private expenditure on LTC, % of GDP 2008
Denmark	2.5	0.2
Finland	2.2	0.4
Norway	2 .2	0.2
Sweden	3.7	-

According to Eurostat (2008), however, public expenditure only on social care for the elderly – including care allowance, accommodation and assistance with carrying out daily tasks – is considerably smaller in Finland (0.7 percent of GDP) than in Denmark (1.7), Norway (1.6) and Sweden (2.3) (Table 3).

Table 3. Public expenditure on care for the elderly (Eurostat 2008).

	Public expenditure on care for the elderly, % of GDP, 2008
Denmark	1.7
Finland	0.7
Norway	1.6
Sweden	2.33

The low Finnish figure is at least partly due to the services that are reported. In all countries except in Norway part of the LTC is provided in hospitals, the numbers of long-term care beds in hospitals are highest in Finland[22]. Thus, it is likely that the difference between Finland and the other Nordic countries is not as vast is it seems.

EXPLAINING THE DIFFERENCES IN EXPENDITURE

There are several possible explanations for the high Swedish public expenditure on LTC. First, spending may be related to the amount of care recipients, i.e. the extent of care, or the time allocated for each client. Second, similar services may be provided with more or less money. For example expenditure on salaries or other employment costs. Third, public care services may be augmented or replaced with informal care or private services. We will consider the first two possibilities in the following sections, after which we will consider the role of informal care. According to the statistics presented in the previous section, private services are not yet replacing public ones, but the amount of augmentation is difficult to estimate and it may be more common than the figures suggest.

Extent of public care for older people

With regard to the first possible explanation, the low amount of care recipients, the coverage of both home help and institutional care (see Table 4) shows that low expenditure on care correlates with a low quantity of public care receivers in Finland. Public social care is offered to a notably smaller amount of elders (12 percent of people over 65 years) in Finland than in other Nordic countries (Denmark 23; Norway 21 (67+) and Sweden 16 percent). The amount of people receiving home help in Finland – 6 percent – is particularly low, whereas the share of older people in institutional care, at 5 percent, is approximately on the same level as Sweden and Denmark. Norway has the highest share of elders in institutional care – almost 10 percent of age group 67 and over (see Table 3). Again the Finnish figure is not fully comparable to those of other countries as it includes only regular home help and not services provided less often as the other countries do. Still, OECD (2011c, 169) numbers indicate that the long-term care receivers at home are fewer in Finland (7,2 % of population 65+ receiving LTC at home 2009 or nearest year) than in Sweden (11,7%), Norway (12,6%) and Denmark (13,0%).

[22] Finland has 12.7 percent of long-term care beds in hospitals per 1000 population aged 65 and over whereas Sweden has 1.2; Denmark 0.2 percent and Norway none in 2009. The total percent numbers for long-term care beds for 65+ per 1000 population are Sweden 81.7; Finland 74.8; Norway 62.9 and Denmark 51.2 (OECD 2011c, 174Ś175).

Table 4. Elderly receiving home help, as percentages of population of the age group, and people aged 65+ living at institutions or in service housing, as percentages of the age group (NOSOSCO 2009, 160–161).

	Finland		Sweden		Denmark		Norway***	
	Home help	Institutions	Home help	Institutions*	Home help	Institutions**	Home help	Institutions
Total, 65+	6.3	5.4	9.2	6.4	17.6	4.9	10.8	9.7

*Includes people staying on a short-term basis and residents in service housing.
**Includes residents in nursing homes, sheltered housing and housing where care is provided, and long-term stays in housing units.
***Age groups 67+

Sweden invests a lot of money in both long-term care (OECD 2011c) and care for the elderly (Eurostat 2008) as was shown in Table 2, but does not offer care services to as many people as Denmark and Norway, even though short-term stays are included in the Swedish numbers for institutional care usage. Denmark stands out regarding its share of home-help receivers – almost 18 percent, which is considerably higher than in the other three countries (see Table 4).

Expenditure on care or the percentage of care recipients do not alone give a full picture of the scope of care provision, as – especially with regard to home help/ home care – the number of service hours is a crucial issue (see Table 5). A comparison published in 2003 shows that the estimated average hours allocated to a home-help client were 1.5–2 in Finland, closer to 7 in Sweden, 5 in Denmark and 2–3 in Norway (Szebehely 2003, 40). In 2009–2010 the mean hours of home care (including home nursing) had increased in Finland and Norway, to around 4.5 hours a week in Finland (Heinola et al. 2010, 38), 3.6 hours in Norway (Kommunal pleie- og omsorgsstatistikk 2009). On the contrary the hours had decreased in the same period to 5.5 in Sweden (Socialstyrelsen 2011, 24). For Denmark the decline is harder to estimate as the earlier figures include help provided in sheltered housing and institutions (Szebehely 2003) whereas the latest figure consists only of care provided in ordinary homes (Statistics Denmark 2010).

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Table 5. Mean hours of home-based care.

	2003 (Szebehely)	2009–2010 (national sources)
Denmark	5.4	3.7
Finland	1.5–2	4.5
Norway	2–3	3.6
Sweden	6.6	5.5

However, the mean hours of home care indicate that the high Danish coverage of home help does not necessarily mean that home help in Denmark is also the most extensive when measured by time allocated to each client. Instead, home help clients receive currently more help each week in Sweden and Finland. The fact that Sweden allocates the longest time to clients explains part of the high cost of Swedish elder care, but not all, since the differences in the amount of money invested are much larger than the differences in mean hours of home help. In Norway the larger percentage of people in institutional care may explain the lower amount of hours allocated to home care.

The longer time allocated for each home-help client in Sweden and Finland might also indicate that the clients are frailer in these countries. In Finland and Sweden home care is indeed increasingly targeted toward those with the greatest need (Heinola et al. 2010, 41). In Denmark, home care is also offered to those with less need for care (Szebehely & Rostgaard 2012).

Costs of service production

The second possible explanation for the high Swedish public expenditure on LTC and care for the elderly (see Table 2) is costly service production. ECOFIN's calculation (2006, 153) indicates that the unit costs per beneficiary in both institutional and home care are higher in Sweden than in Finland, and far higher than in Denmark. Whereas in Denmark the unit cost per beneficiary in home care is less than €4000, in Sweden it is more than four times as much, at over €16,000 (see Table 5). Unfortunately, Norway was not included in the comparison.

Table 6. Unit costs per beneficiary in long-term care, all ages, 2004 (ECOFIN 2006).

	Unit costs, home-based care, €	Unit costs, institutional care, €
Denmark	3,886	18,517
Finland	10,097	24,343
Norway	-	-
Sweden	16,579	62,972

The high expense of Swedish services is not explained by lower user fees either. Among the Nordic countries, Denmark is the only one to offer permanent home care free of charge; in Finland, Norway and Sweden there are income-related user fees which vary according to the municipality (Kröger & Leinonen 2011; Vabø 2011; Szebehely & Rostgaard 2012).

Neither should costly Swedish elder care be a result of high educational levels, and consequently high salary costs, of staff – a recent study shows that in effect, Finnish care workers have had a longer education than care workers in Denmark, Norway and Sweden (Kröger et al. 2009). In Finland half of the home and institutional care staff members have training that lasted longer than two years. In the other three countries only one third of staff spent as long in training. Based on education levels, Finnish care workers should have higher salaries than their Nordic colleagues. However, it is difficult to find comparable data on the salary levels of care workers in different countries as their exact education and diplomas may vary considerably. Yet, at least for nurses, salaries are highest in Denmark and Norway, at about €3500 per month (Lönestatistik Denmark 2011; Sykpleierförbundet 2011) and lowest in Finland, at about €2100 per month (Terveydenhoitajaliitto 2011). In Sweden the median salary for a nurse is about €2700 (Lönestatistik Sverige 2011). Even though the salaries are not adjusted to price levels, it does not seem that high salaries explain the elevated costs of elder care in Sweden.

The differences in costs may be a result of quality differences related to more single rooms or a higher staff-inhabitant ratio in institutional care in Sweden. It has been shown, in comparison, that the relatively low cost of Finnish care services is at least to some extent due to Finland's lower numbers of staff compared to other Nordic countries (Edebalk 2004). Results of comparing quality in general will depend on the indicators chosen and may produce biased views. Nonetheless, a comparison of 11 European urban areas on the quality of home care for people aged 65 and over reveals that among the Nordic countries, Norwegian home care scores the best (Bos et al. 2007). A number of indicators related to unwanted outcomes for home-care users were taken into account, including clients suffering falls, lack of influenza vaccinations and rehabilitation and inability to meet social needs. The indicators were calculated to find a summary performance score based on a certain level of 'penalty points'. Norway had the lowest summary performance score (2) of all countries; the other Nordic countries had similar but somewhat higher numbers (Sweden 4, Denmark and Finland 5) (see Bos et al. 2007).

So far we have seen that there are differences between the Nordic countries regarding public and private expenditure on care of older people. We have searched for explanations for these differences in extent of public care, i.e. percentages of older people receiving home care or staying in institutional care and costs of service production. Next we turn to informal care which is an essential feature of elder care and also the third possible explanation for differences in public expenditure on care.

CARE GIVEN BY KIND AND OTHER CLOSE PEOPLE

Despite the existence of public care services and home care, help and assistance provided by family members or other close people is the main source of care for elders in the Nordic countries – as in most developed countries – with the possible exception of Denmark (Anttonen & Sipilä 2000, 104; Wiener 2003, 3; Timonen 2008, 111).

The numbers from the 2002 Eurobarometer indicate that approximately 30 percent of Finnish, 19 percent of Swedish and 17 percent of Danish respondents informally cared for an elderly person inside or outside their household (Alber & Köhler 2004, 56). Unfortunately, figures from Norway were not available; however, reference to national research indicates that the amount of informal help provided in Norway is somewhere between the amounts provided in Finland and Sweden. A survey of more than 160 respondents in Norway with at least one living parent aged 75 or over revealed that 27 percent of them provided assistance with household work such as cooking and cleaning (Daatland & Herlofson 2004, 59).

It has been estimated that approximately 17 percent of working age people in Finland, 5 percent in Denmark, and 7 percent in Sweden are giving informal care at home to a person who is ill, disabled or elderly (European Social Network 2008, 16). Norway was not included in the comparison, but one estimation from 2005 states that slightly more than 5 percent of the Norwegian adult population is involved in regular informal care-giving to adults or elders (Fevang et al. 2008, 5).

Table 7. Estimations of the share of people providing informal elder care in Nordic countries.

	% of population giving informal elder care inside or outside their household (Alber & Köhler, 2004)	% of population over 15 providing help to a relative over 60 (Huber et al, 2009)	% of working age people giving help at home to an elderly person who is ill or disabled (European Soc. Network 2008)
Denmark	17	18	5
Finland	30	21	17
Norway	27 (Daatland & Herlofson, 2004*)*	-	5 (Fevang & al. 2008)
Sweden	19	15	5

Despite the discrepant numbers, all indicate that the prevalence of informal care is higher in Finland than in other Nordic countries (see table 6). This seems at least to some extent to explain – or to be a result of – the lower level of public expenditure on long-term care in Finland. Its high share of informal care provision could be a consequence of either the fact that the country invests less in care for the elderly than the other Nordic countries or the fact that it has the most established system for supporting informal care. Indeed, increasing the amount of informal care provision has been a political aim during the past decade in Finland (Vaarama 2009, 135).

CONCLUSIONS

According to the analysis in this article, there are some similarities and quite a remarkable amount of differences among the Nordic countries when it comes to care of older people.

Their organisation of public services for long-term care is rather similar when it comes to the legislative framework, which emphasizes all citizens' equal right to care and support, financing public services by taxation and the role of municipal and regional authorities as responsible for implementing the legislation in the form of care services. The marketization of care services has proceeded diversely in the Nordic countries. In general the trend has been toward contracting out services but the legal responsibility and financing have stayed with public authorities. The outsourcing has been broader in Finland and Sweden than in Denmark and Norway. There are, however, significant differences within the countries, as it is the municipalities who are in charge of organizing public care services. Some have introduced a purchaser-provider split across all services whereas some municipalities continue to provide all services publicly.

Private expenditure on old age is minor in the Nordic countries in comparison with public expenditure, as no mandatory spending is required. Voluntary private expenditure on old age is, however, rather high in Denmark and Sweden when compared to other European countries, but is low in Finland and Norway. Private expenditure on LTC, to the contrary, is highest in Finland, where public expenditure on care is lower than in the other three countries. Finland stands out also for its high share of informal care, which is backed up by a fairly commonly used informal care allowance. With the health of older Finns being at a low level compared to older people in other Nordic countries (Normann et al. 2009), it can be concluded that the level and state of elder care seems most insufficient in Finland when compared with Denmark, Norway and Sweden.

Based on the data we have used here it can be stated that Sweden invests the most in both old age-related services and LTC, but does not offer the most extensive public care services. Instead, Denmark has the highest coverage of home care measured by care recipients, and Norway offers public services to almost as many as Denmark when both home care and institutional care are added together. Sweden offers the highest service hours in home-based services per week (5.5). Norway is second, at 4.6 hours; Finland is third, at 4.5 hours; and Denmark is last, at 3.7 hours per week. The unit costs per beneficiary are highest in both home care and institutional care in Sweden (ECOFIN, 2006), yet the high expenditure does not seem to result in extensive and high-quality public care for older people.

The low amount of weekly service hours allocated to home-based care in Denmark is explained by the fact that contrary to Finland and Sweden, where home care is increasingly targeted to elders with the greatest needs, Denmark also offers home care to people with fewer needs (Heinola et al. 2010; Szebehely & Rostgaard 2012). In addition, Danish long-term home care is free of charge, whereas in other countries clients pay fees. Denmark takes a preventative approach in long-term care, considering that offering services at a time when care needs are not extensive may possibly prolong the length of time before institutionalization is required.

Norway does not stand out in any particular way in our comparison. It has kept the high offer of public services specific to a Nordic welfare state: public expenditure on care and the extent of services as well as institutional care are high and quality of care seems to be good. Perhaps because of good financial terms, the shift from

extensive institutional care towards home care has not been as vast as in the other three countries. In addition, Norway seems to offer good quality care, with the best evaluation in a comparison (Bos et al. 2007).
The high need for care and scant services, alongside the fact that informal caregivers – albeit with support – account for a great share of long-term care, leaves Finland furthest away from the ideal Nordic welfare model. This is related to the notable cuts in the public sector that were realised after the deep recession at the beginning of the 1990s (Pierson 2001; Kuivalainen & Niemelä 2010; Jutila 2011). As a result, the Finnish welfare state suffered significant weakening of social transfers and deterioration of public services, with investment in such services seen as one of the main targets for savings (Jutila, 2011, 198; Palola & Parpo, 2011, 51).

Regarding the ideal type of Nordic elder care the first criterion was that legislation ensures everyone's right to care. Indeed, legislative frames in all four countries are set on a national level and promote universalism as such; however, municipalities organize care services in practice and local authorities are responsible for needs assessments. Legislation thus ensures a general right to care, but at the municipal level, implementation leads to a large amount of variation between different municipalities and partly creates inequality in availability of public services. The Finnish numbers on coverage of services offer a reason to suspect that the right to care may not always be put into practice.

Across all Nordic countries, the marketization trend of the past decade may also enhance inequality, as people with higher incomes are better able to top up the public services provided or purchase care when needed (Anttonen & Häikiö 2011b; Vabø 2011; Szebehely & Rostgaard 2012). In two of the four Nordic countries included in this study, Finland and Sweden, the supply of care services has been restricted and more and more targeted toward only the frailest of old people. Only in Danish home care has the process been reversed: fewer hours are allocated to more people (Szebehely & Rostgaard 2012). In Norway the changes have not been remarkable compared to the other three countries. Private expenditure on personal care services is still rather low in all four countries, however, especially regarding LTC. This was the second criterion for the 'Nordicness' of elder care, and it seems to hold albeit less in Finland.

The third criterion included an ample supply of care services that enhance the autonomy of older people and their independence from informal care. Excluding Denmark, the estimated amount of informal care provision is vast. It is hard to judge whether or not people are dependent on their kin or other close ones. At least in Finland, where high levels of informal care are combined with a comparably low supply of public services, it can be assumed that informal care is compensating for the lack of care services and that older persons are depending at least to a certain extent on informal care.

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PREVENTION OF SOCIAL EXCLUSION OF ELDERLY PEOPLE AND SUPPORT FOR ACTIVE AND DIGNIFIED AGEING

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INTRODUCTION

Ageing means development throughout the entire life cycle, ageing begins prior to birth and ends at death (Sowers & Rowe 2007, 4). Rapid ageing of population has become a worldwide issue, a society is considered ageing when it is comprised of more than 7% of elderly people (65+). Many policy documents today view age as a status rather than a result of a process, therefore raising people's awareness and changing their way of thinking is required, and also showing that ageing is a continuous process, it includes all people and the entire lifespan (Active Ageing..., United Nations 2012). The World Health Organisation takes into account lifespan in its approach to active ageing, which suggests that active ageing allows people to use their physical, social and mental potential during their lives for securing their welfare (Active ageing ..., WHO 2002). Politicians as well as scientists have now recognised that ageing is one of the greatest social and economic challenges of the twenty-first century, particularly so in Europe (Börsch-Supan et al 2005). The European Union's population structure is changing and becoming progressively older – at the beginning of 2010, there were 87 million people aged 65 and over in the EU, more than 17% of the total population. In response to demographic challenges being faced within Europe, the European Union designated 2012 as the European Year for Active Ageing and Solidarity between Generations. As Europeans live longer and healthier lives, governments are looking for ways to involve older persons more in society and to keep them active (Active ageing ... 2011). Challenges arising from population ageing can be perceived within the general public too. A Eurobarometer survey conducted in 2011 among interviewees of 15 years old and above showed that about half of the respondents (49%) in Estonia expressed their concern over the ageing population and its impacts, which is slightly above the average EU result of 42% (Aktiivne vananemine ..., European

Commission 2012). The proportion of people aged 65 and above in Estonia grew from 11.7% to 17% in the period 1991-2011 (Active ageing strategy 2013-2020, 2012). The elderly population in Estonia is characterised by a large proportion of women, a situation posing a number of socio-economic impacts and risks. 64% of the population aged between 65 and 74 are women, rising to 72% in the 75+ age group. The primary reason for this is a yawning difference in life expectancy for men and women, where the latter live on average more than ten years longer. Average life expectancy for women at birth in 2010 was 80.5 years whereas for men it was 70.6 years. Since many men do not even reach retirement age, women have an increased risk of living alone and falling into poverty. The poverty risk of older women is further increased by gender-based wage gaps in working age and shorter length of service when compared to men, which potentially results in lower income during retirement years (Tasuja 2010).

According to UN population forecasts the elderly population in Estonia may reach 25% of the total by 2030. This outlook poses further challenges to health and social systems as the ability to cope declines at an older age and the third age (normal ageing in retirement years) may easily develop into a fourth age (pathological ageing and managing with external support) (Eakad inimesed 2012). An increase in the number of elderly people in society is frequently only seen as a negative aspect. A rise in demand for welfare and health care services is spoken about as well as a shortage of finance for paying pensions, benefits and allowances. The positive role of the elderly and their contribution to daily life and societal development however is often overlooked, but should be acknowledged and appreciated much more (Active ageing strategy 2013-2020, 2012).

WHAT IS ACTIVE AGEING?

Successful aging is a multidimensional construct that includes physical health, cognitive functioning, functional status, emotional adjustment, and social engagement (Williams et al 2009; Ko et al. 2007; Ouwehand et al. 2006). Older people feel disempowered and not taken seriously, both of which have consequences for their self-esteem, performance and well-being (A Snapshot of Ageism… 2011). Levy et al (2002) has shown that older people with more positive self-perceptions live 7.5 years longer than those with more negative ones. Garstka et al (2004) found that the negative association between ageism and wellbeing was evident for older adults but not for younger adults subjected to age based discrimination. Ageism has also been associated with a lower sense of self-worth, feelings of distress, isolation, and loneliness (McHugh, 2003). Self-directed ageism has shown to be associated with increased morbidity - and even mortality - years after initial evaluation (Levy et al. 2009).

Active ageing means growing old in good health and as a full member of society, feeling more fulfilled in our jobs, more independent in our daily lives and more involved as citizens. No matter how old we are, we can still play our part in society and enjoy a better quality of life. The challenge is to make the most of the enormous potential that we harbour even at a more advanced age. The European Year 2012 seeks to promote active ageing in three areas: employment, participation in society and independent living. As life expectancy increases across Europe, pension ages are rising, but many fear that they will not be able to stay in their current jobs or to find another job until they can retire on a decent pension. Retiring from one's job does not mean becoming idle. The contribution of older people to society as carers for others, typically their own parents or spouses and their grandchildren is often overlooked and so is their role as volunteers. Our health declines as we grow old, but a lot can be done to cope with this decline. And quite small changes in our environment can make a big difference to people suffering from various health impairments and disabilities. Active ageing also means empowering us as we age so that we can remain in charge of our own lives as long as possible (2012 – European Year... 2012). The World Health Organisation (WHO) has defined active ageing as the process of optimising opportunities for health, participation and security in order to enhance quality of life as people age. The word ´active´ here refers to continuing participation in social, economic, cultural, spiritual and civic affairs, not just the ability to be physically active or to participate in the labour force. Active ageing also refers to cultural changes in order to disprove stereotypes and reduce age-related discrimination (Active Ageing ..., WHO 2002).

An `Active ageing strategy 2013-2020´ is being prepared in Estonia, its target group is people at 50 years of age and above, who serve as a reference base for objectives of the strategy. Measures and activities of the strategy also take into account diverse features of the target group, and the needs and issues of different age groups within it. This explains why some measures and activities of the strategy are targeted at smaller specific age groups or groups of the elderly characterised by other features (e.g. elderly people who live alone).

The strategy also plans measures and activities for various groups and stakeholders in society whose attitudes and practices may impact on the quality of life of the elderly, including employers, staff in education and culture, social and health care workers, policy makers at state and local government levels, representatives of different age groups, family members and carers of the elderly, and so on.

The main aim of the strategy is to enhance quality of life for the elderly and to improve their social inclusion and active participation in public life. For this purpose four strategic objectives are set: that older people perceive inclusion in society and are active socially; that they have the desire and opportunities for learning and self-education; that they are active in the labour market and are satisfied with their working life; and that they have a longer healthy life while coping well. This article reviews studies undertaken on issues of the elderly population in Europe and Estonia, and what their findings are. The authors also use the European Social Survey and its data to establish how the elderly assess their health situation, who their closest family members are, how they assess their economic coping, opportunities for participation on the labour market, and how active they are in society.

DATA AND METHODOLOGY

The Survey of Health, Ageing and Retirement in Europe (SHARE; Börsch-Supan et al. 2008) is the first European data set to combine cross-national information on socio-economic status, health, and family relationships of the older population (Börsch-Supan et al 2005). It is modelled on the American Health and Retirement Study (HRS), but while it covers 11 countries in Europe, Estonia is not included. Therefore the current article uses data from the European Social Survey (ESS) Round 5 (ESS Round 5… 2010) on Estonian respondents.

A key aim of the ESS has always been to implement high quality standards in its methodology and to improve standards in the field of cross-national surveys more generally. Measuring attitudes cross-nationally has challenges that go beyond those of surveys conducted in a single country or language (ESS Methodology 2013).

The objective of the ESS sampling strategy is the design and implementation of workable and equivalent sampling plans in all participating countries. Sampling on the ESS is guided by the requirements outlined in the Specification for Participating countries. Each National Coordination team is responsible for identifying a suitable sampling frame and producing a sample design suitable for implementation in their country. They are supported in this task by a member of the ESS Sampling Expert Panel who is assigned to assist them.

The ESS Estonian Round 5 data set had 1793 respondents, of which 445 respondents were aged 65 or older (25%), their gender, age, educational and citizenship composition are shown in Figure 1. 88.7% of respondents below the age of 65 had Estonian citizenship, 10.1% had Russian citizenship, and 5% carried alien passports.

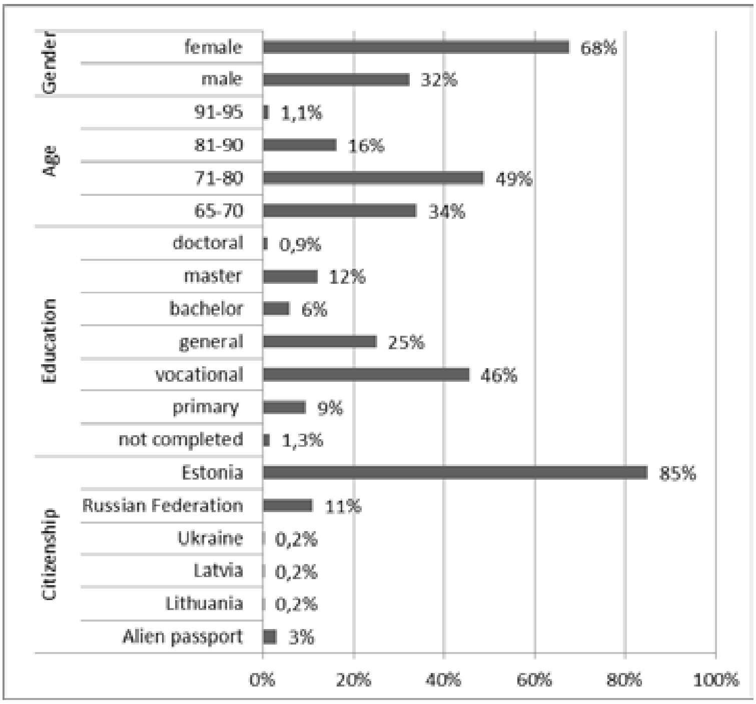

Figure 1. Distribution of respondents at the age of 65 and above by gender, age, education and citizenship

Based in the ESS Round 5 dataset 23% of respondents over 64 claimed they speak Russian at home which shows that a tenth of respondents with Estonian citizenship actually speak Russian in their home environment. 41% of respondents said their household has one member, 48% has two members in their households. 63.5% of respondents live in towns and cities, 22.2% in rural settlements and 9.7% in their own houses or farms.

On average, Europeans with a low educational level, income or occupational class can expect to live two to five years less than Europeans with a high socio-economic status (Bronnum-Hansen et al 2004). For historical reasons the proportion of Russian speakers among the elderly in Estonia is relatively high and their coping ability may be poorer due to language barriers. Figure 1 displays socio-demographic features from the ESS data set, since these are similar to the outcomes of earlier studies, we can thus conclude that responses to other questions are an adequate reflection of the situation of the elderly. Data analysis uses descriptive analysis and comparison of average indicators.

RESULTS

Social networking and living environment

As people age, the risk of social exclusion increases as a consequence of the declining role of family and support networks in a person's daily life: children grow up and move out, and there may be impact of negative life events (e.g. divorce, or the death of a spouse). In general, the need for external help tends to increase in an older age while the extent of a person's close relationships and participation in social networks tends to decline. Loneliness and social exclusion also raise the risk of mental health issues, therefore maintaining and strengthening of social relations and communication opportunities are essential from the aspect of health, too. Table 1 shows gender and relationships of the second member in at least two-member households in the ESS data set. The table also shows that both men and women most frequently live with a spouse but women take up a larger proportion in the group of people who live with children.

Table 1. Households with two or more members, relationship of the second member to a respondent

Gender of respondent	Second person in household: relationship to respondent	Gender of second person in household (% of gender of respondent total)	
		Male	Female
Male (n=115)	Husband/wife/partner	3%	88%
	Son/daughter/step/adopted/foster	4%	3%
	Parent/parent-in-law	1%	1%
	Brother/sister/step/adopted/foster	1%	0%
	Total	9%	91%
Female (n=148)	Husband/wife/partner	72%	0%
	Son/daughter/step/adopted/foster	10%	11%
	Parent/parent-in-law	1%	1%
	Brother/sister/step/adopted/foster	1%	1%
	Other relative	3%	1%
	Total	86%	14%

According to the ESS R5 data set 20% of men and 51% of women live alone, 14.2% live with children, and 12.1% have never lived with children, that is to say they do not have children.

Being childless is increasingly common in many western developed societies, so it is not surprising that recent demographic and sociological research has given attention to this phenomenon and its social consequences. A point that is often (over) stressed in sociological and social policy research is the weakness of childless people's informal support networks, and the implication that the increasing number of childless people will create a rising demand for public care services. There is some evidence that childless people tend to participate more in community activities, which may be seen as an additional dimension of the adaptive network development strategy that they pursue (cf. Wenger 2009). The results indicate that, in general, parents and childless people had a similar likelihood of making such contributions to wider society (Albertini & Kohli 2009).

Social exclusion or inclusion is also affected by a person's wider or narrower living environment. Dwelling is one of a person's essential needs and the quality and size of the household's living quarters determine many an aspect of household members´ lives in terms of health, education, capacity for work, self-realisation. Home makes one feel safe and together with related values creates a basis for a person to take part in social life (Randoja 2009). In terms of satisfaction with life one may assume that irrespective of rather moderate satisfaction levels among the older population, there are aspects which are fairly positive. Most elderly people live in a home environment where they feel well and a higher value is attributed to relationships with family members, relatives, friends and colleagues (Vanemaealiste ja eakate … 2009). In the ESS data set for Estonia people at the age of 64+ score their satisfaction with life at 6.4 on a 10-point scale, national economic situation is given 4.0 points, with the government scoring 4.3 and democracy 4.9 points respectively. Older people in working age consider employment important, in which case satisfaction with life is also higher (Vanemaealiste ja eakate … 2009). In the ESS data set 89.7% of respondents are retired and 7.9% are in work, the rest are permanently sick or disabled, engage in housework, look after children or others, or are unemployed.

The authors studied the elderly who live either alone or with someone, and it appeared that statistically significant differences are evident in the case of questions "Household's total net income, all sources", "Feeling about household's income nowadays", "How much time during past week you felt lonely". The elderly people who live alone have a smaller income (2.88 point on a scale of 10), while the elderly with two or more household members score 5.42. Arising from the above it is possible to understand why they assess their coping differently, the elderly who live alone face greater difficulties compared to the rest. The same group also admits to more frequently feeling lonely whereas the other groups hardly ever perceive loneliness.

Health

Health is a factor affecting both social isolation and exclusion, because of declining health people may give up participating in community activities, and also their resources for supporting others non-financially diminish (Kutsar & Trumm 2010). Assessment of satisfaction with health care services is at 5.7 in the ESS data set which is slightly over a half and positive rather than negative. The market research company Saar Poll conducted a survey in 2010 of Estonians´ views of their health and health care, the results show that 63% of respondents considered the organisation of health care in Estonia as good, while 32% reckoned it was bad, which is rather close to the ESS data set results. No significant changes have occurred when compared with the two previous years. There is a positive correlation between assessment of the organisation of health care and one's personal health situation: respondents who believe they are in good health also tend to have a more positive view of health care organisation. The following aspects receive more criticism: poor availability of health care, shortage of doctors, various problems with family doctors (e.g. do not refer to specialist doctors or further examination), excessive bureaucracy, etc. (Elanike hinnangud … 2010, 23).

Opinions towards one's health vary with age and the older the person, the more critical assessment of one's health. According to the Estonian social survey data of 2011 13% of respondents at 65 or over consider their health either good or very good, and 39.5% see it as poor or very poor. Figure 2 based on the ESS data illustrate the above.

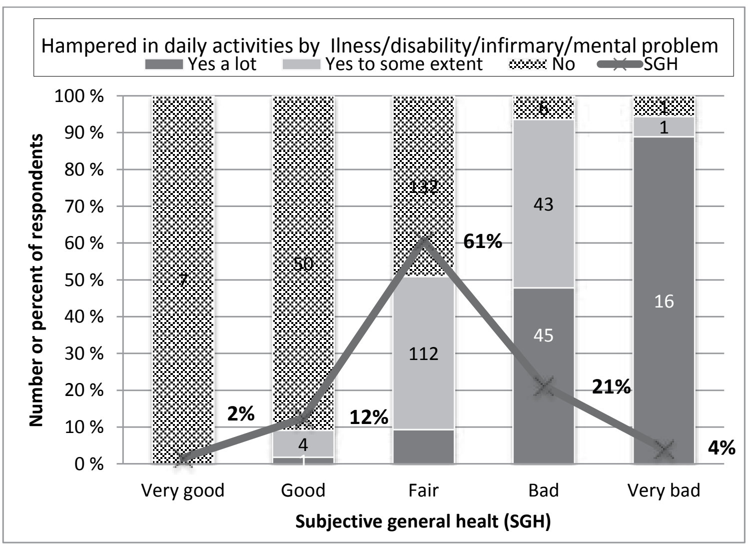

Figure 2. Assessment of health in general and being hampered in daily activities in respondents of 65+.

Figure 2 shows that assessment of health is higher when hampering factors are absent. However, the number of respondents with poor (21%) or very poor (4%) health heavily outweighs those with good (2%) or very good (12%) health.

Health-induced limitations can be overcome with the help of social and health care services. It is required, though, that various services were linked and that they supported the person's health situation and welfare in an integrated way. However, provision of social and health care services is just one factor – and possibly not the most essential – which has an effect on health indicators at an advanced age. The health of older people is dependent on a number of factors, such as previous health behaviour, timely and early access to health care, etc. On the other hand, health indicators are important factors impacting on demand and need for social and health care services in an ageing society (OECD 2011). Activity and participatory restrictions, besides illnesses need to be taken into consideration as these determine people's quality of life and daily coping capacity. Consideration of activity and participation restrictions enables the evaluation of a person's actual functioning capability in the interaction of health situation, personal and environmental factors. Shortcomings in functioning capabilities are demonstrated through the need for support, thus not only putting pressure on the family of the person in need, but also on the social and health care systems and the state on a wider scale (Karelson & Altmets 2010).

Activity levels of older people

The focus of psychosocial definitions includes previous, present and future expectation of life satisfaction, well-being and participation in social life, while the biomedical status may be less important. A positive attitude to life and effective coping with present circumstances, not physical health, seem to be the essential factors. Well-being may even be experienced in the presence of disease or disability. (Stordal et al. 2012)

Elderly people who retire from employment and fail to take up new hobbies, projects or activities, may experience deterioration in health and quality of life (Gregory et al. 2010).

Many studies showing that engagement in volunteer work and leisure activities leads to increased retirement satisfaction (Butrica & Schaner, 2005) and also older men and women actually spend more hours volunteering than do their younger counterparts (e.g. Gallagher 1994). This higher commitment is often attributed to the fact that the productive nature of volunteering is particularly beneficial for older people's life satisfaction or health (see also Bath & Deeg 2005). With regard to levels of volunteering, the SHARE countries may be divided into three groups. The Mediterranean countries featured low participation in volunteer work during the preceding month (7% of the Italian and 2–3% of the Greek and Spanish). Germany, France, Switzerland, and Austria exhibited medium activity levels between 9 and 14%. Sweden and Denmark (17%) and the Netherlands (more than 20%) featured high participation in volunteering Among those who reported volunteering in the preceding month, almost one-fifth had done so almost daily, nearly half of the volunteers had been engaged almost every week, and slightly more than one-third had worked less often. The two most frequently mentioned motivations to volunteer were the desire to contribute something useful (70%), followed by the joy derived from volunteering (61%) (Börsch-Supan et al. 2005).

Keeping members of society informed of news and current affairs is not only important for democracy to work, it is also important for citizens participating in social life and for community integration (Blekesaune et al. 2012). Following Robert Park (1929), media sociologists have argued that local media such as newspapers are essential to social integrated communities. Individuals who are not involved in culture and news consumption are more likely to be disconnected from others and forgo all benefits that come from network relations which have been glossed under the banner of 'social capital' (Lizardo 2006). Thus, those who are not aware of the latest news about politics and current affairs on the other hand lack some entry conditions for social conversation with others in the local society. Individuals who do not have interest in news media have therefore been described as „disconnected from society" (Merton 1968; Elvestad 2009). In the long run, a high proportion of disconnected citizens may contribute to disintegrated societies (Putnam 2000). So, readiness for social inclusion is shown in how well one is informed of local life and politics. To this end, the authors studied how much and through which channels older people of 65 and above follow news, politics and current affairs (Figure 3).

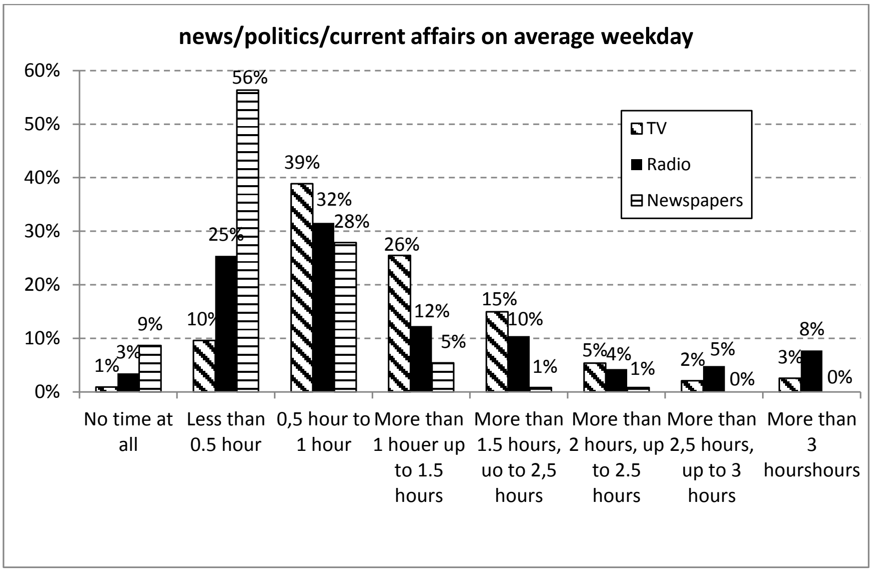

Figure 3. Using TV, radio and newspapers to follow developments in society.

It appeared that reading newspapers took up the shortest period of time, reasons might be cover price of the papers and people's visual impairments. On TV people probably watch particular news programmes to keep up-to-date, and local TV channels contain up to 2 hours of news daily. However, older people tend to listen to the radio a lot, with over 3 hours spent on listening to the news (8% of respondents).

Working life

The course of a person's working life might determine the course of his or her active ageing. The ESS data set revealed that 23% of respondents were fully involved in organising daily activities in their organisation while 25% were not involved at all. 50% of respondents were not "allowed to influence policy decisions about activities of their organisation" at all, with 3% who were entirely involved.

In many European countries poor health, chronic diseases, and lifestyle factors were associated with being excluded from the labour market. The results of this study suggest that in social policies aimed at encouraging employment among older persons, the role of ill-health and its influencing factors need to be incorporated (Alavinia & Burdorf 2008). Similar to all other age groups, how active older people are on the labour market depends on their educational levels. People with higher levels of education are more active, and the higher the educational level, the higher the employment rate (Marksoo et al. 2011, 5). Compared to the rest of the EU, participation of the older population in the labour market is considerably above the average in Estonia, people work for longer and retire later. Estonia features a relatively high proportion of older people in work, but also a high unemployment rate. Unemployment rate of the older population rose to as high as 16.2% during the recession, being the highest in the EU. Older people in Estonia are relatively active in the labour market in comparison to other countries by remaining in employment for longer and continuing to seek work in the case of losing a job (ibid 2011, 17).

The 2009 survey into coping of older people demonstrated that 6% of 50-74 year old people in employment had experienced unreasonable unequal treatment in their workplaces. Primary issues pointed out were: unequal treatment in remuneration, distribution of work tasks and work-related information and opportunities for voicing opinions, as well as attitudes of managers, and promotion and career opportunities. Major reasons for unequal treatment were age, gender, nationality or poor skills in the Estonian language (Vanemaealiste toimetuleku uuring 2009).

CONCLUSIONS

The analyses (Albertini & Kohli 2009) have confirmed the previous finding about the relatively low support available to childless people in old age. The findings support the argument that researchers and policy makers should take into consideration not only what childless older people need but also what they give. Moreover, 67 per cent of childless respondents lived without a partner, whereas among parents the figure was only 28 per cent. Regarding their material circumstances, the childless tended to have higher incomes and more wealth than parents, but the differences were not significant in any country. Similarly, when considering health status – namely limitations with the activities of daily living – parents fared slightly worse than the childless, but the differences were again not significant. Childless older people were less likely to receive and give support.

Reducing the care burden on persons caring for the elderly and disabled persons who need care and supporting their employment requires development of an efficient integrated care and nursing care system. The current network of care institutions in Estonia is irregular and all people do not have similar levels of access to the care services. Staff turnover among care workers is very high, because they often lack motivation and are provided with no special training. The current financing system in the care for the elderly is not sustainable – it is unfair and unequal, because the levels of customer and family contributions for care and nursing care services can be very variable. (National report … 2010).

In 2012 the Estonian Ministry of Social Affairs commenced coordinating the preparation of the active ageing strategy for 2013-2020. The main objective of the strategy is to enhance the quality of life of the elderly and to improve their social inclusion and active participation in public life. One of the strategic objectives is for older people to perceive their inclusion in society and to become more active. An essential measure in achieving this objective is the prevention and alleviation of exclusion of older people. Exclusion may be reduced through a decrease in ageism and age-specific stereotyping within society, and the use of community resources in prevention and alleviation of social exclusion. Design of age-friendly living environments is another vital issue. A further essential measure is supporting being socially active and voluntary activities through aid to older people's organisations and a more active involvement of older people in volunteering.

Good education fosters the continued advancement in skills vital to the maintenance of a healthy life style, work, social participation and personal self-realisation. Investments in education should be considered as investments in active ageing (Active Ageing … UN 2012). In Estonia, the necessity of lifelong learning is primarily treated in the context of improving competitiveness in the labour market (see Eesti 2020; Täiskasvanuhariduse arengukava 2009-2013). It apparently is less often perceived that a person engaged in learning is an active person and for instance taking part in training courses can foster creating new social networks. From the active ageing point of view social cohesion and inclusion aspects should certainly be paid more attention within the lifelong learning context. Increasing participation in lifelong learning is not a singular aim per se but a measure serving to enhance competitiveness in the labour market and coping with life in general, which thus fosters social cohesion, integration and prevention of social exclusion. In conclusion, more attention should be given to the needs, opportunities and desire to learn among the older population in the overall setting of an ageing nation. Pärnu College of the University of Tartu launched a programme called Third Age University for people over 50 in the autumn of 2008 and it continues to be hugely popular. The same format has been applied in other units of the University of Tartu.

To sum up, when considering the older population as a whole it is important to mention that they do not constitute a homogeneous group but differences exist in terms of education, income, economic coping, social status, health status, place of residence, household status and many other qualifying features. They can also be subdivided according to age, such as working age and retirement age, groups which again differ in their needs, opportunities and resources.

The ESS database was primarily designed as a time series that could monitor changing attitudes and values across Europe (ESS Methodology 2013). In future research we would like to use different rounds ESS databases to analyse the same themes covered in present article over the time and compare Estonian and other European countries elderly.

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FINNISH YOUNG PEOPLE'S SUBJECTIVE WELLBEING - INFLUENCE OF PSYCHOLOGICAL AND SOCIAL FACTORS ON THE COMPONENTS OF SUBJECTIVE WELLBEING

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INTRODUCTION

Traditionally, human wellbeing is measured as resources that individuals have at their command, which are usually assessed in terms of material things. The alternative approach puts emphasis on measures of quality of life as subjective wellbeing. This approach views individuals as the best judges of their own situations and conditions. Subjective wellbeing has become one of the most debated research topics over the past ten years (Veenhoven 2004; Dolan & Peasgood 2008).

This study focuses on Finnish young people's wellbeing and its determinants. According to a statistical report (Young people in Finland 2010), the wellbeing of the majority of youth has increased over the past few years. These young people are satisfied with their life. A fifth of them, however, are doing worse than before and some serious problems are accumulating. In addition, the number of socially excluded youth has increased (Young people in Finland 2010; cf. Youth in Europe 2009).

This study examines Finnish young people's self-reported wellbeing. Subjective wellbeing is approached from the psychological and social perspectives. The research question is as follows: How are psychological and social factors associated with subjective wellbeing among young people? In this study, the main psychological concept is referred to as "locus of control," which explains whether people believe they can control their life or believe that their lives are controlled by environmental factors that they cannot influence. Social factors refer to social support and social challenges in people's social networks. In this sense, the concept of "social" refers to human relations, which are non-material by nature.

SUBJECTIVE WELLBEING

Subjective wellbeing can be approached from at least three different perspectives (Dolan & Metcalfe 2012). First, it can be measured simply by asking people whether they are "happy." Fordyce's happiness measures (Fordyce 1988), for instance, ask respondents how happy or unhappy they feel, usually in general terms. The measure also asks participants to indicate the percentage of time they feel happy, unhappy, or neutral. Another option is to highlight life satisfaction. This can reflect experiences that have affected a person in a positive way. These experiences have the ability to motivate people to pursue and reach their goals. For instance, Diener et al.'s (1985) satisfaction with life scale uses five statements with which respondents agree or disagree on a scale of 1–7. A major distinction between life satisfaction and happiness is that happiness fluctuates significantly across time and may change from day to day.

A second way of measuring subjective wellbeing is based on emotions. The positive side of emotions is one of the most studied facets of wellbeing, because it offers a conceptual complement to the expansive literature on negative emotions. Emotional wellbeing is seen to contribute to upward spirals in coping ability, self-esteem, performance, and productivity at work. The correspondence between positive emotion and wellbeing is partially derived from the philosophy of hedonism, which suggests that pleasure is the only thing that is good for us. An example of emotional measures is the positive and negative affect schedule (PANAS, Watson, Clark & Tellegren 1998), which asks respondents to rate how much they have felt 10 positive emotions (e.g., excited or alert) and 10 negative emotions (e.g., upset or ashamed) in a timeframe specified by the experimenters (e.g., in general, during the past two weeks).

The third perspective is focused on the classical question of meaning (Park 2010). In particular, meaning is viewed as an essential contributor to overall wellbeing that is separate from but positively correlated with other facets of wellbeing. Meaning has been defined in various ways as "feeling of belonging and serving something larger than the self" (Seligman 2011), or simply as the response to the question "What does my life mean?" According to McGregor and Little (1989), meaning and happiness are distinct constructs. For example, having children may decrease happiness among parents, but contributes very significantly to their levels of meaning.

The mentioned three perspectives can be combined into the same concept of subjective wellbeing as three different components of it (Diener et al. 1985; 2000; Dolan, Peasgood & White 2007). In this study, the concept of subjective wellbeing consists of cognitive, affective, and eudemonic components. The cognitive component highlights an individual's assessment of the domain of life, such as satisfaction with life overall, as well as his health and job. The cognitive facet of wellbeing represents evaluation of satisfaction with life. In this sense, the justification of wellbeing is based on an individual's weighing the situation of her life. Her view is assumed to be based on a cognitive reflection and rational thinking. Affective wellbeing is closely associated with a pure mental state account of wellbeing, which depends entirely upon feelings held by the individual. The affective facet of wellbeing can be divided into two parts, specifically the negative and positive dimensions. Eudemonic theories conceive of us as having underlying psychological needs, such as meaning, autonomy, control, and connectedness (Ryff 1989). These accounts of wellbeing draw from Aristotle's understanding of eudemonia as the state to which all fully rational people strive. However, it is usually just evaluated in terms of how much meaning our own lives have.

LOCUS OF CONTROL

Locus of control explains how people shape expectations about the outcomes of their choices. A person's "locus" is conceptualized as either internal or external. Individuals with a high internal locus of control believe that events in their life derive primarily from their own actions, whereas people with a high external locus of control would praise or blame other people.

This concept was initially proposed by Julian Rotter (1954). He suggested that personality is a learned behavior, as compared to Jungian philosophy that considers personality a heritable characteristic. One aspect of an individual's personality is the equilibrium between the individual's drives for autonomy, control, and social acceptance. This equilibrium contributes to the individual's locus of control orientation. Social learning theory suggests that locus of control orientation can change as a result of changes in reinforcement, the value of the reinforcement, or the situation itself. The implication is that an individual's locus of control orientation will change with life experiences.

A vast amount of literature in the field of psychology assesses the determinants of the individual's locus of control. For instance, it is said that the locus of control forms during childhood and stabilizes during adolescence. On the other hand, it is assumed that parents can influence their children's locus of control through their parenting style. Children are seen to be more likely to develop an internal locus of control if their parents encourage autonomy and consistently use a system of rewards and punishment. Additionally, stressful life events are considered to be related to a higher likelihood of having an external locus of control. Finally, although the empirical evidence is inconclusive, an individual's locus of control may evolve over the lifecycle as her physical and mental health changes (Baron & Cobb-Clark 2010).

The Rotterian conception of the locus of control consists of external and internal parts. Rotter conceptualized the locus of control as a predisposition in relation to the perception of what causes reinforcement (i.e., reward, favorable outcome, goal accomplishment). A predisposition for internal locus of control (i.e., internality) results from the perception that reinforcement is contingent on one's own behavior or one's own relatively permanent characteristics or traits. The perception that reinforcement is due to luck, chance, fate, or factors beyond one's control indicates an external locus of control (i.e., externality; Kormanik & Rocco 2009). In this sense, people can be divided into two groups, specifically those who attribute the outcomes of their actions to internal factors such as their own efforts and skills (internals) and people who tend to attribute the outcome of their own actions to external factors such as fate or destiny (externals).

Rotter's 29-item internal–external (I–E) scale is based on a questionnaire that assesses whether people believe that events are contingent on their own behavior of their own relatively permanent characteristics or traits (i.e., internal predisposition), or whether people believe that events are contingent on luck, chance, fate, or factors beyond their control (i.e., external predisposition). Rotter's original scale was later developed in at least two different directions. First, researchers have realized that there is a need to distinguish among multiple dimensions within the external side of the locus of control continuum. Rather than rating people as simply external, for instance, Hanna Levenson (1973) investigated whether this externality is attributed to chance or to powerful others, such as political leaders, parents, or God. Thus, the Levenson scale distinguishes between three factors—internality, powerful others, and chance (I, P, C). Second, although Rotter's initial theory focused on the individual as the unit of analysis, investigators have moved to identify generalized locus of control expectancies for certain populations, including patients, genders, racial groups, social or political groups, students, and the workforce.

In this study, psychological factors of subjective wellbeing are based on Levenson´s (1973) concept. In this sense, it is assumed that psychological factors can be divided into the following three parts: internality, powerful others, and chance (cf. Lefcourt 1976).

SOCIAL SUPPORT

Social capital theory provides an explanation for how individuals use their relationships to other actors in societies for their own and for the collective good. Social capital is made up of "the norms and networks that enable people to act collectively" (Woolcock and Narayan 2000, 226). Hence, social capital captures the nature of social relations and uses it to explain outcomes in society. In this sense, social capital is linked to interpersonal relationships.

Interest in interpersonal relationships has increased over the last few years due to the belief that the availability of social support may favorably affect a person's health and emotional wellbeing. Both seeking and receiving help from other people is a major form of coping activity. Social help or emotional support may protect individuals from the negative consequences of major problems. According to Rönkä, Taanila, Koiranen, Sunnari, and Rautio (2013), loneliness is associated with deliberate self-harm, and should be considered a risk factor for decreased health and wellbeing.

Social support is a multidimensional concept with different functional and structural aspects (Nunes et. al 2011). The functions most often cited are emotional support, which refers to aspects such as intimacy, attachment, comfort, care, and concern; material support, which refers to the provision of material assistance; and informative support, which involves advice, guidance, or information relevant to the situation. Social companionship can be seen as the fourth function, which involves spending time with others in leisure time and recreational activities. On the other hand, social support can be focused on the structure of interpersonal relationships. Structure refers to the existence and quantity of social relationships (e.g., marital status, group memberships, the number of friends one has), and the interconnectedness of a person's social relationships or social network (e.g., the degree to which a person's friends know each other). This type of social support is most frequently measured in terms of the existence or contact with potential supportive persons.

Perceived social support may be measured, for instance, by the Arizona Social Support Interview Schedule (ASSIS, Barrera 1980). This can be applied through a semi-structured interview and identifies the size and composition of the social network of emotional support (social participation and personal feelings), material support (material and physical assistance), and informative support (advice and positive feedback), as well the conflict network (Barrera 1986).

In this study, social factors of subjective wellbeing are approached by examining the perceived social support and perceived social problems in a close network. Social support is examined from three perspectives, specifically, friends, family support, and the significance of other adults. Additionally, the influence of social risks on subjective wellbeing is examined.

RESEARCH DESIGN

This study examines Finnish young people's self-reported wellbeing. Subjective wellbeing is approached from the psychological and social perspectives. The research question is as follows: Do psychological and social factors explain young people's subjective wellbeing? The research design is based on the following three concepts: subjective wellbeing, locus of control, and social support.

Subjective wellbeing consists of three components, specifically, cognitive, affective, and eudemonic wellbeing. Psychological factors refer to the concept of locus of control, which consists of three dimensions—internality, powerful others, and chance. Social factors refer to the concept of social support, which in this study consists of the following four components: companionship with friends (just called "friends" below), affective family support (termed "family"), informative social support (called "other adults"), and social risks (see Figure 1).

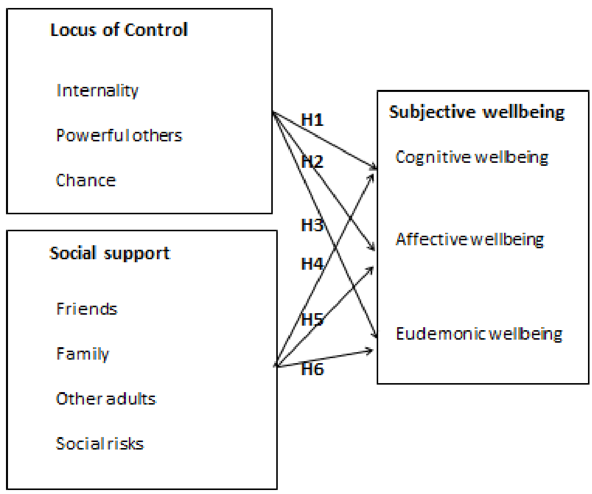

Figure 1. Research design.

In this study, it is assumed that an internal locus of control and social support have a positive influence on subjective wellbeing, while an external (powerful others, chance) locus of control and perceived social risks have a negative influence on subjective wellbeing. The study is based on six hypotheses. The first two are related to cognitive wellbeing, the next two to affective wellbeing, and the last two to eudemonic wellbeing:

H1: Young people's cognitive wellbeing depends positively on internal locus of control and negatively on external locus of control (powerful others and chance).
H2: Young people's cognitive wellbeing depends positively on social support by friends, family, and other adults and negatively on perceived social risks.
H3: Young people's affective wellbeing depends positively on internal locus of control

and negatively on external locus of control (powerful others and chance).
H4: Young people's affective wellbeing depends positively on social support by friends, family, and other adults and negatively on perceived social risks.
H5: Young people's eudemonic wellbeing depends positively on internal locus of control and negatively on external locus of control (powerful others and chance).
H6: Young people's eudemonic wellbeing depends positively on social support by friends, family, and other adults and negatively on perceived social risks.

The study was part of the SOHVI project (Knowledge production in social wellbeing), funded by the European Social Fund (Ministry of Education). The study was implemented in the Etelä-Pohjanmaa region of Finland. The region had 194,058 inhabitants at the end of 2012, representing 3.6% of the total population Finland. The study was focused on young people aged 16–18 years. The Etelä-Pohjanmaa region had 7,040 young people (16–18 years) at the end of 2012, representing 3.6% of all young people in Finland.

The Finnish school system consists of high schools or vocational schools. In this study, 56% of respondents were students at vocational schools and 44% in high schools. The research data were collected in the form of an electronic questionnaire during class hours from students in April and May 2013. The questionnaire contained a total of 90 questions. A total of 180 students answered the questionnaire; 57% of them were male and 43% were female students. According to the regional statistics, 52% of young people (16–18 years old) were male and 48% of young people female students at the end of 2012.

The analysis was carried out using simple statistical methods. The variables were formed by factor analysis (generalized least squares, varimax with Kaiser normalization). The reliabilities of the sum variables were calculated using Cronbach's alpha, and the normality of the distributions was examined using the Kolmogorov-Smirnov test. The dependencies between variables were analyzed using linear regression analysis.

One aim of the SOHVI project was to produce a measure that can be used to evaluate young people's subjective wellbeing (see Toikko 2014). In this article, the measure is used to answer the question of whether subjective wellbeing can be explained by psychological and social factors. The study was preliminary in its nature and it does not fill all the requirements of representative sample. However, the results are worth reporting in this article.

MEASURES OF SUBJECTIVE WELLBEING, LOCUS OF CONTROL, AND SOCIAL SUPPORT

The measure of subjective wellbeing was based on that of Dolan, Layard, and Metcalfe (2011). The measure consisted of 16 questions, which were divided into the following three components: six questions on cognitive wellbeing, six questions on affective wellbeing, and four questions on eudemonic wellbeing. All of the questions were Likert-type scale items (1 = Strongly disagree to 5= Strongly agree), although in the original measure, a 0–10 scale was used. In addition, it is necessary to emphasize that affective component was understood as one dimensional without distinguishing negative and positive components.

The measure's conceptual base was tested using factor analysis. According to this, the following three factors were generated: cognitive wellbeing (factor 1), affective wellbeing (factor 2), and eudemonic wellbeing (factor 3). The factor model explained 61.2% of the total variance. Factor loading followed the components of social wellbeing as shown in Table 1.

Table 1. Factor analysis of subjective wellbeing.

Factor 1: Cognitive wellbeing (23.9%)	
All things considered, I am satisfied with my life as a whole these days.	.756
I am satisfied with my personal relationships.	.589
I am satisfied with my physical health.	.632
I am satisfied with my mental wellbeing.	.787
I am satisfied with my studies and school situation.	.515
I am satisfied with my financial situation.	.430
Factor 2: Affective wellbeing (20.2%)	
I felt happy yesterday.	.439
I felt anxious yesterday.*	-.745
I felt yesterday I have much energy.	.291
I felt worried yesterday.*	-.769
I felt relaxed yesterday.	.534
I felt stressed yesterday.*	-.763
Factor 3: Eudemonic wellbeing (17.1%)	
Things I do are worthwhile.	.568
My life has meaning.	.883
I feel I am useful to others.	.800
I see a bright future.	.712

According to the conceptual basis, three sums of variables were formed in which items above a cutoff of 0.5 were included for further analysis. In this case, the sum variable of cognitive wellbeing consists of five items and both affective wellbeing and eudemonic wellbeing consist of four items. The reliabilities exhibited a good level for each sum variable, but the distributions of all the sum variables were negatively skewed (see Table 2).

Table 2: Sum variables of subjective wellbeing

Variable	N	Items	Cronbach´s alpha	Mean	Sd
Cognitive wellbeing	177	5	0.882	3.97	0.74
Affective wellbeing	178	4	0.838	3.62	0.86
Eudemonic wellbeing	175	4	0.916	3.95	0.77

Psychological factors were based on the concept of locus of control. The Levenson IPC measure distinguishes between three factors—internality, powerful others, and chance (Halpert & Hill 2011). The Levenson IPC measure consists of 24 questions, but in this study the measure was modified after two different test sessions: Only 20 questions were included into this study and six additional questions* were added. In total, the measure consisted of 26 questions. The Levenson IPC scale is originally based on a scale of 1–6, but in this case, a scale of 1–5 was used.

The measure's conceptual basis was tested by using factor analysis. According to this, the following three factors were generated: internality (factor 1), chance (factor 2), and powerful others (factor 3). The factor model explained 32.1% of the total variance. Factor loading followed the conception of locus of control (see Table 3).

Table 3: Factor analysis of locus of control (factor loadings of at least 0.5).

Factor 1: Internality (12.1%)	
Whether or not I get to be a leader depends mostly on my ability.	.503
When I make plans, I am almost certain to make them work.	.503
When I get what I want, it is usually because I worked hard for it.	.618
I am usually able to protect my personal interests.	.652
How my life takes course is entirely dependent on me.	.587
Factor 2: Chance (12.2%)	
Whether or not I get to be leader depends on whether I am lucky enough to be in the right place at the right time.	.618
When I get what I want, it's usually because I am lucky.	.729
Whether or not I am elected into a team depends mostly on good or bad fortune.*	.566
How many friends I have depends on fate.	.526
Factor 3: Powerful others (7.8%)	
Other people have a great impact on my life.*	.614
My life is chiefly controlled by powerful others.	.620
My opinions are strongly influenced by powerful others.*	.768

According to the factor analysis, three sum variables were formed by attending to factor loadings above 0.5. The factors followed the conceptual basis of locus of control; thus, the following three factors were generated: internality (five items), chance (four items), and powerful others (three items). The reliabilities of sum variables formed in this way were above 0.7 (see Table 4).

Table 4: Sum variables: locus of control.

Variable	N	Items	Cronbach´s alpha	Mean	Sd
Internality	175	5	0.717	3.75	0.56
Chance	179	4	0.748	2.63	0.69
Powerful others	175	3	0.736	2.52	0.76

In this study, the concept of social support was formed from the following four components: friends, family, other adults, and social risk. The measure consists of 25 items. The measure's conceptual basis was tested by factor analysis. According to it, four factors were formed: social risks (factor 1), friends (factor 2), family (factor 3), and other adults (factor 4). The factor model explains 56.1% of the total variance. Factor loading followed the conception of locus of control in Table 5.

Table 5: Social support factor loadings of at least 0.5.

Factor 1: Social risks (26.7%).	
I really know what suffering from unemployment means.	.671
I really know what suffering from long-term sickness means.	.654
I really know what means that someone has difficulties in managing his or her life.	.864
I really know what suffering from housing problems means.	.770
I really know what suffering from incoming problems means.	.809
I really know what suffering from mental health problems means.	.719
I really know what suffering from alcohol problems means.	.693
I really know what difficulties in managing working life mean.	.570
Factor 2: Friends (14.3%)	
I feel lonely.	-.683
I have many very good friends.	.806
I have at least one really good friend to whom I can trust with my personal issues.	.582
I have friends with whom I spend leisure time.	.792
I feel that I am accepted among young people.	.738
I know many people, but I do not have any really good friends.	-.573
Factor 3: Family (8.8%)	
I feel that my mother supports me.	.692
I feel that my father supports me.	.667
I feel that at least one of my grandparents supports me.	.697
I have good relationships with my siblings.	.604
Factor 4: Other adults (6.3%)	
I know adults outside of my family whom I can ask for help.	.704
I feel that adults understand me.	.562
I can trust adults outside of my family.	.880

According to the factor analysis, four sum variables were formed by focusing on factor loadings above 0.5. The reliabilities of the sum variables formed in this way were above 0.7 (see Table 6).

Table 6: Sum variables: social support

Variable	N	Items	Cronbach's alpha	Mean	Sd
Social risks	177	8	0.894	2.44	0.94
Friends	174	6	0.863	3.94	0.86
Family	171	4	0.800	4.13	0.73
Other adults	177	3	0.792	3.57	0.80

GENERAL DESCRIPTION OF YOUNG PEOPLE'S WELLBEING

In general, young people seem to be satisfied with their life (see Table 7). This result is consistent with previous studies (cf. Young people in Finland 2010). However, on more detailed examination, it becomes clear that there are differences in the level and area of satisfaction.

In this study, young people's wellbeing was approached from their self-reporting perspective, which was divided into the following three components: cognitive, affective, and eudemonic wellbeing. Cognitive wellbeing was formed through assessing one's satisfaction with life in general, personal relationships, physical health, mental health, and school situation. The level of positive agreement varied between 64.4% and 80.6%. The lowest rate (64.4%) was related to the school situation.

Table 7. Subjective wellbeing.

	N	Agree (%)	Disagree (%)	Mean	Sd
Cognitive wellbeing					
All things considered, I am satisfied with my life as a whole these days.	180	78.9	7.2	4.02	.897
I am satisfied with my personal relationships.	180	77.2	5.5	4.02	.915
I am satisfied with my physical health.	180	80.6	4.4	4.08	.825
I am satisfied with my mental wellbeing.	179	77.3	5.6	4.01	.890
I am satisfied with my studies and school situation.	178	64.4	8.4	3.72	.984
Affective wellbeing					
I felt anxious yesterday.	180	15.5	54.4	2.34	1.104
I felt I had a lot of energy yesterday.	180	48.9	21.1	3.41	0.990
I felt relaxed yesterday.	180	13.9	53.3	2.35	1.060
I felt stressed yesterday.	179	19.0	54.7	2.41	1.110
Eudemonic wellbeing					
The things I do in your life are worthwhile	177	73.9	1.7	3.93	.728
My life has meaning.	179	72.8	3.9	3.97	.896
I feel I am useful to others.	179	69.4	5.6	3.88	.913
I see a bright future.	177	75.0	4.5	4.02	.866

Affective wellbeing measures positive and negative emotions. For further analysis, all questions are used to measure effects in the same direction. In this sense, the level of the positive dimension varied between 48.9% and 54.7%. This level of agreement was much lower compared to cognitive wellbeing, where the level of agreement varied between 64.4% and 80.6%.

Eudemonic wellbeing has to do with whether one's life has meaning in an evaluative sense (Dolan & Metcalfe 2012). However, eudemonic wellbeing differs from cognitive wellbeing because it cannot be related to everyday and practical issues; rather, it has also an existential dimension. In this case, young people's eudemonic wellbeing varied between 69.4% and 75.0%.

REGRESSION ANALYSIS

Subjective wellbeing and its three components (cognitive, affective, and eudemonic wellbeing) were explained by psychological and social factors. In this study, psychological factors were approached according to the concept of locus of control and social factors were approached according to the concept of social support. The influence of both concepts was studied by linear regression analysis (see Table 8).

Table 8. Regression analysis.

Variable[23]	B	Std	Beta (standardized)	t	Sig
Cognitive wellbeing, N=150					
(Constant)	1.123	.582		1.927	.056
Internality	.280	.105	**.203**	**2.666**	**.009**
Chance	.005	.078	.004	.061	.951
Powerful others	-.105	.069	-.106	-1.527	.129
Friends	.060	.013	**.357**	**4.706**	**.000**
Family	.034	.023	.111	1.513	.132
Other adults	.046	.030	.015	1.530	.128
Social risks	.009	.054	-.011	-.158	.875
Affective wellbeing, N=154					
(Constant)	2.672	.716		3.734	.000
Internality	.156	.131	.096	1.193	.235
Chance	-.310	.095	**-.251**	**-3.254**	**.001**
Powerful others	.036	.085	.031	.421	.674
Friends	.018	.015	.093	1.171	.243
Family	.079	.028	**.220**	**2.832**	**.005**
Other adults	.026	.038	.056	.706	.418
Social risks	-.159	.067	**-.168**	**-2.382**	**.018**
Eudemonic wellbeing, N=146					
(Constant)	.408	.583		.700	.485
Internality	.399	.105	**.272**	**3.795**	**.000**
Chance	-.069	.076	-.063	-.909	.365
Powerful others	-.093	.068	-.088	-1.366	.174
Friends	.053	.012	**.312**	**4.402**	**.000**
Family	.063	.022	**.195**	**2.821**	**.005**
Other adults	.042	.030	.101	1.421	.158
Social risks	.073	.054	.086	1.363	.175

According to this study, cognitive wellbeing can be explained by both psychological and social factors. 'Friends' is the most significant social factor in explaining young people's cognitive wellbeing (p=.000). Other social factors do not have a significant connection to cognitive wellbeing. Locus of control influences cognitive wellbeing, but only internal control actually has a positive connection to cognitive wellbeing (p=.009).

[23] Cognitive R square .416 / F= 14,831 (.000), Affective R square .347 / F= 11,086 (.000), Eudemonic R square .495 / F= 19,856 (.000)

Affective wellbeing is dependent on different factors compared to cognitive wellbeing. 'Chance' is the only dimension of control that is connected to affective wellbeing (p=.001). Between 'chance' and affective wellbeing, there is a negative dependence: The more young people believe in 'chance', the weaker their affective wellbeing will be. Moreover, social factors explain affective wellbeing, because family and social risks influence the level of affective wellbeing. 'Family' refers to young people's relationships to their parents, grandparents, and siblings. 'Family' has a positive connection to affective wellbeing (p=.005), as expected. Social risks have a negative dependence with affective wellbeing (p=.018). The less young people have experiences about social risks, the higher the level of their affective wellbeing will be.

Eudemonic wellbeing is explained by 'internality' and 'friends', in both cases, the p-value is .000. Other psychological factors (dimensions of control) do not influence the experience of eudemonic wellbeing. Among social factors, 'family' also has a connection to eudemonic wellbeing (p=.005). Additionally, it is interesting that 'social risks' have a positive connection to perceived eudemonic wellbeing.

The results show that all of hypotheses H1-H6 are partially supported, but none of them is completely valid. Thus, the relationship between wellbeing, locus of control, and social support seems to be more complex than was assumed in the study model.

CONSCLUSIONS

This study confirmed that subjective wellbeing is a multidimensional phenomenon. On the one hand, it consists of independent components, specifically affective, cognitive, and eudemonic wellbeing. According to this study, affective wellbeing is especially dependent on different kinds of factors than cognitive and eudemonic wellbeing are. On the other hand, subjective wellbeing depends on both psychological and social factors. Thus, subjective wellbeing cannot be understood without examining all components of subjective wellbeing and its psychological and social factors.

The theory of locus of control is broadly accepted when it comes to explaining different kind of phenomenon from a psychological perspective. On the other hand, the theory has been criticized as being too general in nature; thus, it has been argued that the locus of control should be set into more specific contextual frameworks. However, in this study, the general approach to control explained subjective wellbeing very well. This might be because the concept of subjective wellbeing is also a general concept rather than a context-specific one.

Rotter's original locus of control is a one-dimensional concept. The Rotterian notion consists of external and internal aspects that are parts of the same dimension. Later, many researchers emphasized that external and internal control are separate dimensions. Additionally, Lefcourt (1976) divided external control into two different parts, namely chance and powerful others. According to this study, understanding subjective wellbeing requires the use of a three-dimensional concept of control. The three dimensions have different bases in explaining subjective wellbeing. For instance, 'chance' has a relationship of negative dependence to affective wellbeing.

According to the results, 'friends' is a social factor which influences subjective wellbeing. In this sense, the result is consistent with the previous research results. For instance, Rönkä et al. (2013) argue that friends' support is related to lower depression and higher self-esteem. According to this study, friends' companionship is related especially to cognitive and eudemonic wellbeing. However, the direction of influence cannot be confirmed in this study. Friendship can be a reason for subjective wellbeing, but it can also be a result of wellbeing. This study did not indicate this causal relationship.

Among social factors, affective social support (family relationships) has a significant influence on affective and eudemonic wellbeing. Additionally, social risks have a negative relationship with affective wellbeing, as expected. Other adults' informative social support was not connected to any components of subjective wellbeing.

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