

URBACT Case study of cities response to the crisis: JYVÄSKYLÄ



Successfully rebuilding an economic model, with severe economic crisis as the starting point

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“ Recovery from the 1990’s crisis is the basis of our new economy. That was the time when we reshaped our economy... even if this crisis hit us it is very little compared to when we had unemployment of 25% in the 1990s. In this crisis we did not need to reform everything but just take some measures”

- Official, City of Jyväskylä

Summary

This case study focuses specifically on the relationship between two periods of crisis in the same city, and how that city’s capacity to weather the current crisis reasonably well stems directly from the choices made in dealing with the consequences of the previous crisis. For, to understand the manageable level of impact, on what, in times of crisis, has proven to be a sustainable economic model, it is necessary to delve into the recovery process of the city of Jyväskylä following the deep 1990’s recession which, while affecting all of Finland, hit Jyväskylä especially hard, resulting in massive unemployment of about 24% by December 1994.

Jyväskylä’s post-recession development strategy focused on developing ICT expertise, identified as a potential growth sector at that time, while also reorienting the city’s strategic thinking, embracing what might be described as a change management approach. In this development strategy ‘hard’ investment and infrastructural measures were supported by ‘soft’ development tools from social and cultural policies, with a wide range of cultural activities, citizen participation programmes and so forth, aimed at enhancing the attractiveness of the place.

As a result, Jyväskylä became one of the most important information technology growth

centres in Finland, turning around its place image, now being associated with a high quality of life and with being a good place to raise children.

Relevance for other cities: the relevance for other cities lies in how a city has been able to overcome large-scale unemployment in a durable way, as evidenced by the moderate impact of the current crisis, which did not take the city back to previous levels of unemployment.

Context

Jyväskylä, located in central Finland, is the country’s 7th largest city with a population of 130,000: 3000 of which with foreign background, and 45,000 students¹. The present administration is a new merged municipality formed January 2009, from the city and its immediate surrounding region. Prior to the recent economic crisis, Jyväskylä had been experiencing strong growth in population (by over 1,500 annually) and in the creation of new jobs.

Municipal finances have a relative degree of

¹ Source: City of Jyväskylä. The figure includes children in basic education.

autonomy; in 2009, 17.8 % of the city budget was financed through local fees, 56% by income tax revenue, and 17.4% by the central government.

The city has competences in education and training, employment and economic development; e.g. the municipality runs a range of schools and educational institutions, has a specific department under Social Services dealing with employment and is a majority shareholder in the Regional Development Agency Jykes Ltd, which sets enterprise policy and is very active in economic policy.

In terms of sectors of economic activity, the city has developed a variety of high tech and value added activities; local expertise is strong in the fields of nano technology, energy, health technology, ICT, wood processing and paper, metal industries and environmental technologies. The majority of businesses are SMEs and micro-enterprises and operate on the domestic or local market. Educationally, the city boasts two highly rated universities and a well-regarded vocational institute.

Well before the current economic crisis hit, effective future oriented strategies were in place, and continuity with these strategies has proven to be the basis of an effective anti-crisis strategy.

How did the 1990's economic crisis affect Jyväskylä and how did Jyväskylä respond?

Interestingly, Jyväskylä's current development strategy stems largely from its own response to a previous crisis – the economic recession of the early 1990s coinciding with the effects of the collapse of the neighbouring Soviet Union – involving a

restructuring of traditional industries and development of new technologies. As a consequence of that previous crisis, many enterprises in the Jyväskylä urban region had gone bankrupt or had downsized their activities. From 1989 to 1994 the Jyväskylä region lost about 10,000 jobs (i.e. about ¼ of its jobs) resulting in an unemployment rate in December 1994 of **23.8%**. Concurrently, popular perception of Jyväskylä had become decidedly poor and references to it in national media were often quite sarcastic. However restructuring took place and, moreover, 1995 EU accession brought an access to Structural Funds.

“Here the recession taught a lesson the hard way. It showed us once and for all that you can't get by alone. We're not sufficiently clever, big or rich for that and we don't have the resources to manage alone. But the recession was so hard on us that we just had to, we had to do something in order to survive. And why not do and think about it together.”²

Jyväskylä's post-recession development strategy focused mainly on investing in ICT as a potential growth sector - ICT in a broad sense, as applied to several industrial sectors. From the mid-1990s on, Jyväskylä saw a systematic development of its ICT cluster. The approach put an emphasis on working through programmes that accumulated *know how* and developed networks and network management skills. The process of the development of the ICT cluster can be summarised in the following six key elements, as identified by Linnamaa (2002):

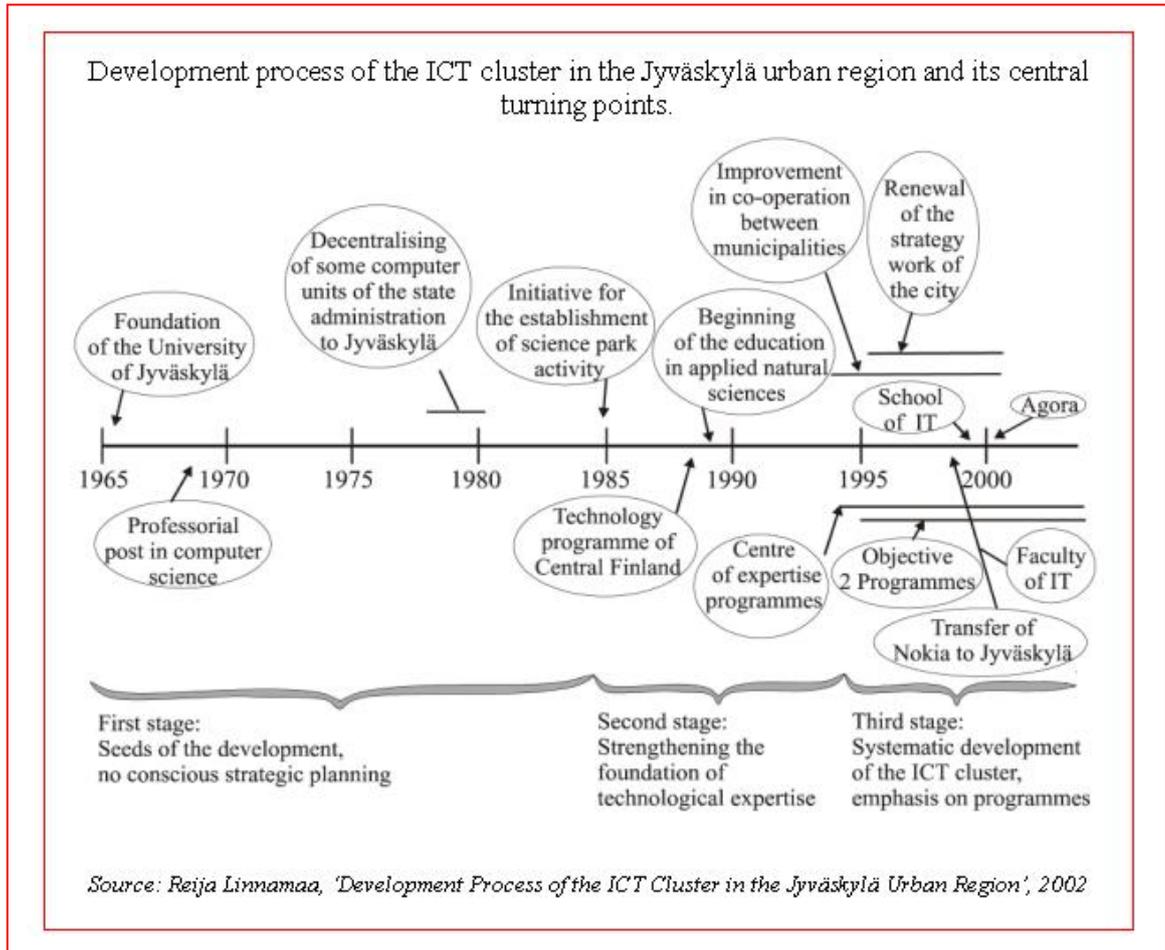
- (1) The implementation of a **Centre of expertise** programme, 1994-8, which served as a starting point for ICT-led development. The programme was launched as part of a new programme-based regional development policy with the aim of improving the preconditions for the establishment and development of internationally competitive entrepreneurship requiring high levels of expertise.
- (2) EU **Objective 2** Programme work 1996-2006 – at the time, Jyväskylä came under

² Linnamaa, R. (2002) *Development Process of the ICT Cluster in the Jyväskylä Urban Region*, City of Jyväskylä, http://www.jyvaskyla.fi/hallinto/kirjoituksia_kaupunkipolitiikka/2002/0114 .

objective 2 of the European Union structural funding, which aimed to revitalise areas facing structural difficulties. Within this programme Jyväskylä focused in particular on **reorientation training of IT** (Master's Programme) because ICT was seen as a **growth field**.

- (3) Strengthening **educational institutions** – particularly IT-related education- through the establishment of the Faculty of Information Technology at the university of Jyväskylä in 1998 and the School of Information Technology at the Jyväskylä Polytechnic in 1999.
- (4) In 1998 the **Nokia Research & Development** unit moved to Jyväskylä. This move was widely interpreted as a validation of the region's competitiveness as a setting for quality knowledge-based entrepreneurship.
- (5) The city administration, 1995 on, embraced a dynamic and vigorous new approach to **Strategic Planning**, emphasising the pursuit of creativity and innovation. This was achieved through a close cooperation between senior officials in land use, economy and strategic planning and through the **Jyväskylä Forum**, which started in 1995 and included people from different fields. The forum led to the creation of the city programme in 1999 whereby construction investments were realised on the shores of lake Jyväsjärvi, where the university of Jyväskylä, Jyväskylä Science Park and the premises of ICT companies are located. A change in Jyväskylä's strategy also combined investment in business development with the development of services, education, culture and quality of living environment.
- (6) A **Human-Centred Technology Research Centre- Agora-** was completed in 2000 on the shore of the newly regenerated shore of Lake Jyväsjärvi, innovatively fusing psychological expertise, which is strong in Jyväskylä, with technological expertise. This is indicative of the multi-disciplinary approach adopted to ICTs in Jyväskylä.

Creative tension generated by the crisis, local leadership, participation and the use of image, Linnamaa argues, are all factors that played a crucial role in the development process. The crisis generated a need for **intensifying cooperation** between different actors in the city and between municipalities, with the **mayor** of that time and the vice-rector of the University of Jyväskylä playing a crucial role in doing so. Development was made possible through the **participation** of a wide group of heads of organisations especially from the city of Jyväskylä, Jykes Ltd, Jyväskylä Science Park, the regional council, the University of Jyväskylä, including also the business sector. The promotion of a good **image** of the city has supported the development process through the use of the media but also through the personal networks of the actors involved.



Nationally, the 2000s saw a reorientation of Finnish innovation policy, which included a heightened focus on networking and sustainable innovation, and an awareness of the value of human capital, natural capital (ecosystem etc.) and social and cultural capital.

Municipally, development strategy has continued to emphasise the internationalization of local SMEs, and public sector co-operation with trade and industry, with the 3rd sector, and with other municipalities for both knowledge transfer and achieving economies of scale; within Finland, the locality has come to be recognised for its ability in successfully implementing this type of co-operative approach to development.

Local policy has been consistently proactive in supporting this development path; such efforts have placed a strong emphasis on 'soft' development strategies, such as health, culture and citizen participation, aimed at

enhancing the attractiveness of the place. This policy mix was sustained in the new city strategy for 2010-2013, which was adopted by the City Council in March 2010, and includes:

- Policies of citizen **well-being** and **participation**. The city works with a regular wellness report describing the state of well-being of Jyväskylä's citizens and which guides policy. Various inclusion and participatory democracy measures, monitoring of quality of democratic functioning, were put in place with a 'democracy balance sheet' tool.
- Improving effectiveness of **welfare** and **inclusion** policies (e.g. effective integration of immigrants).
- Maintaining and improving **quality of basic services, education, culture, sport** and **recreation** offer, as well as **transport** links and **connectivity**.

- Focus on establishing local **clusters of expertise**, as a strategic goal.
- **Cooperation:** with regional and other municipal governments, regional government, private and third sectors, e.g.:
 - A University Alliance cooperation.
 - A regional **Development Corridor**, made up of Jyväskylä, Jämsä and Äänekoski.
 - Jyväskylä **Regional Development Company** (Jykes Ltd), which directs economic development activities and sets policy focus.
- Quality and responsive **environmental** policy, with a focus on ecologically sustainable business activity.
- **Landscaping and architecture:** with signature buildings to reinforce quality of place image. The regeneration of Lake Jyväsjärvi's shoreline, mentioned earlier, is an example of landscaping efforts.
- Ongoing **monitoring of business climate:** impact of policy on business climate and business perceptions of Jyväskylä, as well as holistic coordination with local policy (e.g. liaising between business and urban planning policies, so as to support development) to maintain attractiveness for business activity and a valuable reputation as a city of entrepreneurs, with a strong entrepreneurial climate, creativity and innovation.
- Ongoing improvement of **governance**, organisational culture (in particular reshaping municipal structures and cooperation between municipalities) and **financial** management (with a guiding focus on debt avoidance, contention and elimination).

As a result of its regeneration, amongst other

Finns Jyväskylä now enjoys a very positive place image – being generally identified with a high quality of life and as a good sort of place to raise children. The massive unemployment rates of 24% in 1994 were brought down progressively to more manageable proportions of 10.2% in 2008. The municipality says that this figure is influenced by the high number of students “*we have a continuous ‘surplus’ of about 2% in the unemployment rate because of the large student population. Students are normally registered as job seekers as soon as they graduate*”. Thus, according to the municipality, the underlying figure would be something like 8.2%.

Currently, Jyväskylä identifies the main challenges local development faces as:

- Raising international awareness of the central Finland area – for the purposes of attracting investment and of networking and knowledge exchange with complementary regions.
- Maintaining and increasing competitiveness.
- Developing new economic activities with future potential.

One might add to these challenges that of maintaining the type of “creative tension”³ which has allowed for a vigorous ongoing change management approach.

³ Linnamaa, R. (2002) *Development Process of the ICT Cluster in the Jyväskylä Urban Region*, City of Jyväskylä, http://www.jyvaskyla.fi/hallinto/kirjoituksia_kaupunkipolitiikka/2002/0114 .

How has the current economic crisis affected Jyväskylä and how has Jyväskylä responded?

Jyväskylä has seen many business closures during the past 2 years, including the closure of the emblematic Nokia R&D centre, one of the city's biggest international companies, leaving 300 academics unemployed. Unemployment started to grow in the 4th quarter of 2008 and has risen by 2.2% in 2 years till May 2010. The increase seems to have stabilised in the last months.

There has been an increase in the demand for social services (e.g. welfare support) – with several hundreds of applications more than before. The cost of providing welfare support rose by 14% in 2009 over the previous year, though this rate doesn't compare badly with other major Finnish cities, with a general average of 15% and 20% in the Helsinki region.

Income tax, the most important source of income for the city, was 353 Million Euros in 2009 and growth is declining. The forecast for the 2011 is only 348 million Euros – 5 million less than 2010. As a result of a slowdown in economic activities, Jyväskylä's share of corporate tax dropped drastically in 2009 reaching only 18.3 Million Euros.

However, the city's development and regeneration projects have not been delayed or downsized. Rather, the city has offered co-financing to several big projects dealing with innovation and employment, mainly financed through European Structural Funds. The city has increased the volume of investment by 20 million each year in order to stimulate the economy. In 2009 Jyväskylä invested 75 Million Euros and the investment budget for 2010 and 2011 is about 75 to 80 Million

Euros.

A special "Structural Change Working Group" was established in collaboration with the Ministry of Employment and the Economy, with the aim of implementing measures to support the highly skilled workers who lost their jobs. The measures pursued putting experts from different fields, who have been made redundant, to work and creating new businesses amongst themselves. Support was provided to create such businesses. In cooperation with the University of Jyväskylä, these high-skilled unemployed were also provided with the option of support for continuing their education, through PhD studies.

The Structural change programme is already showing positive results – e.g. the 300 Nokia R&D high-skilled unemployed have already been absorbed by other IT companies and SMEs.

What aspects of Jyväskylä's experience could be useful for other cities?

While Jyväskylä logically had to adapt to the arrival of the current crisis, the crisis' impact did not represent a failure or collapse of the pre-existing economic and governance model. The city is not dragged along by circumstances in a reactive mode. Jyväskylä's anti-crisis actions essentially fit within the already existing developmental strategy, rather than being any kind of rupture or fundamentally new initiative provoked by the crisis. This capacity of the local development model to weather the storm of economic crisis stems from:

- An appropriate and *pre-existing* **strategic planning**
- Cooperation: **universities** cooperating with the private

sector, third sector and government – **municipalities** cooperating with other municipalities to network and pool know how, resources and opportunities.

- Economic **diversification** with a prioritisation of **value added** activities.
- Strong **human resources**, education and training, backed by investment going towards the development of expertise.
- Complementary **social** and **cultural** policies, i.e. a focus on generating and maintaining quality of life, social capital and cultural vibrancy – so-called ‘soft’ factors – which strengthen image and make the place attractive to desirable workers and to investment.
- **The crisis can generate “creative tension”**, which involves and motivates people and which allows for established approaches and systems to be questioned, with a view to developing future-oriented innovation and support for change.
- **Adaptive approaches** able to flexibly seize opportunities, make good use of timing and quickly incorporate new developments and practices –particularly by

channelling them into an approach carried out through successive programmes.

- Capitalisation of **short-term successes** to maintain support for ongoing transformation.
- A **European** strategy focused on **networking** that achieves access to experiences of added value activity, innovation and diversification – and to useful partnerships – i.e. clear articulated goals and criteria for being involved in European projects.
- A place finding its **way out of a major crisis** by identifying and pursuing a valid and sustainable strategic development plan – subsequent crises being likely to put any such approach to the test, showing whether it was indeed the correct path or not.

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All statistics are provided by the city of Jyväskylä.

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