What are small and medium sized towns?

More than 87% of EU 27 (plus ESPON Partner States) population lives in urban areas, which indicates the urban shift in the population. There are 850 larger cities, 8,414 small and medium sized towns and more than 69,000 very small towns. Almost half of the urban population lives in larger cities (46.3%), while 24.2% in small and medium sized towns and 19% in very small towns. The size of urban settlements plays an important role within the wider regional and functional context, hence towns can make an important contribution in supporting EU strategic policies and for the achievement of territorial cohesion. According to the morphologic definition, small and medium sized towns (SMSTs) have a population density between 300 and 1,500 inh./km² and/or between 50,000 and 5,000 inhabitants, whereas very small towns have population density above the threshold of 300 inh.km² but without reaching the minimum population threshold of 5,000 inhabitants.
European trends

There is a ‘bundle of characteristics’ by which towns are different from cities, including:

- The industry sector has a greater proportion of employment, while the service sector has a smaller proportion of employment;
- A significantly smaller proportion of jobs in private and public services in comparison to larger cities;
- A higher economic activity rate;
- A higher proportion of pensionable adults and more children;
- A lower proportion of working age adults with a degree;
- Employment in the retail sector is significantly lower than in larger cities;
- SMSTs have a lower proportion of people who live and work in them than larger cities that are located in the same regions and countries;
- Unemployment rates in SMSTs tend to be lower than for larger cities in four of the countries concerned;
- A higher proportion of school age children;
- Higher shares of secondary or holiday homes.

Diversity and size matter

Despite some common characteristics, SMSTs show a diverse range of economic profiles. At the same time, size matters for SMSTs when it comes to economic diversity. As towns get larger, their employment profiles tend to become more diverse relative to economic sectors. Smaller towns tend to have more specialised employment profiles.

The capacity to create jobs, to provide services, to attract new populations and to engage in interterritorial and innovation networks is not only derived from towns’ geographic proximity to large cities. The socio-economic composition of the settlement itself and its inherent value within wider spatial divisions of labour is an important distinguishing characteristic of smaller settlements. At the same time, the size of the working population is often related to specialisation in some activities (manufacturing, tourism, etc.), and the town’s fortunes are ultimately linked to economic and social change at regional, national or even international level. It is reasonable to assume that the socio-economic performance of a town can be related to a range of factors which are a combination of:

- geographic position;
- macro/regional trends;
- socio-economic specialisation;
- historical development;
- ways in which these are understood by policy actors (i.e. their ‘policy frames’).

Types of small and medium sized towns

The evidence from the ESPON TOWN project suggests that the profile of employment across European towns had changed over the past 10 years; at least a third of them have undergone, to varying degrees, a process of structural change in their local economy. However, only a few of these towns were deliberately attempting to develop a new strategy for local growth and seeking to bring about change in their local economic profile. It is possible to identify at least three types of SMST according to the economic profile:

- **Restructuring industry** – A large number of small and medium sized towns in Europe have a predominantly productive profile. Most of these towns have retained their productive base and the production of traded goods and services is still strategically important. On the other hand, a high number of regions with a low degree of urbanisation are characterised by industrial branches losing importance, supporting the claim that fragile local economies require proactive support of their economic base.

- **Residential economy** - This type of local economy mainly relies on activities and services related to local population needs and demand (housing, public services, etc.). Such a residential economy may be considered as the key driver of their socioeconomic dynamics in various countries (Belgium, France, Germany, UK), especially in those regions benefiting from tourist activities and those in the proximity of urban regions. In the current
period of economic crisis, the residential economy may represent a stabilizing factor for towns since it allows them to ‘capture’ income, and the jobs generated are not directly exposed to global competition, as services to the population and residential consumption are still complementary drivers to the general economy.

- **Knowledge-based economy.** In this type, the local economy is either related to residential or external demand, but at least partly based on knowledge, innovation and creative activities, such as higher education, design etc. These types of towns introduce strategic initiatives to bring about favourable conditions for the creative economy (i.e. subsidies or tax incentives) or to foster a high level of quality of place (education provision, small entrepreneurial milieu atmosphere, place amenities etc.) which has attracted a ‘creative’ population and associated investments. However, it is unlikely that in such towns the creative and knowledge-based profile can fully replace more ‘traditional’ residential and productive profiles, or become the dominant profile.

### Networking capacity determines performance of SMSTs in Central and Eastern Europe

Central and Eastern Europe (CEE) has lower density of large metropolises than the rest of Europe, therefore SMSTs play a significant role. Important clusters of SMSTs in CEE can be found especially in the industrial belt of South-Eastern Germany, Western Poland, Southern Slovakia, Czech Republic and Hungary (Map. 1). There is evidence of macro and meso regional path dependency that can be seen both in wealthier Western and Northern areas of Europe as well as in Central and Eastern Europe. A general divergence in performances of regions characterised by smaller settlements in remote areas and those close to metropolitan areas or urban regions is observed in this macroregion. While the former tend to exhibit negative trends, the latter are characterized by better performances.

The CEE case studies of urban systems (Figure 1) show domination of large centres (LC). This concerns not only their overwhelming share of total population, but also their role in settlement systems where small and medium sized centres are either agglomerated to large centres (AGLO-LC) or networked to large centres (NETW-LC). Towns agglomerated to one large city (AGLO-LC) dominate in Mazovia region in Poland. SMSTs in Slovenia show strong functional ties with large centres, but with more reciprocal and networking manner either as sources (NETW-SMST-S) or destinations (NETW-SMST-D) of flows. Czech urban system is more based on dense networks of towns.

They may face problems related to becoming ‘dormitory towns’ or ‘station towns’. However, under specific geographical and institutional conditions like strong local sense of identity or proactive strategies it is possible that the activities rooted in such SMSTs are able to resist metropolitan dominance by networking with larger urban areas. This may represent a ‘borrowing-size’ effect, according to which towns that are close to bigger urban areas are able to realise a ‘virtual critical mass’ in terms of accessibility to services and other urban characteristics.

![Figure 1. Distribution of population in types of urban centres (TOWN)](image-url)
Key messages and policy recommendations

Given the great diversity among SMSTs of Central and Eastern Europe, place-based approaches to individual SMSTs always require a detailed analysis of the specific place before developing a bundle of policy interventions.

Towns are different from larger cities in terms of their labour markets, economic profiles and demographic mix. There are important differences between national urban systems. Simple contextual variables such as being autonomous, agglomerated or networked are not a sufficient predictor of performances for SMSTs - except when explaining why specific towns might be able to benefit from their particular location. Therefore there may be other ‘unobserved’ variables mobilising the development potential of towns.

In terms of barriers and potentials, within the wide variety of situations that characterise the performance of SMSTs in the 2000s, some towns have indeed been able to flourish. Some of these successful towns in Central and Eastern Europe include Garwolin in Poland, Domžale and Radovljica in Slovenia, Brandýs nad Labem - Stará Boleslav in the Czech Republic. Detailed analysis of towns in their territorial setting shows that regional context appears to be the most important influence along with having a good balance of residents in employment.

Finally, the sectoral profile is also important. Historically, small towns have had some degree of competitive advantage in industrial employment. However, today this relative advantage may be problematic, as industrial employment (particularly in manufacturing) has become subject to increasing global competition, which also impacts the post-socialist industrial areas of Central and Eastern Europe. Towns with a higher proportion of employment in industrial activities tend to have negative trends in terms of growth, employment and population.

The ESPON on the Road project

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