# Vitality policy as a tool for rural development in peripheral Finland

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**Abstract:** In Finland there has been a strong tendency to direct rural development from competitiveness and (traditional) enterprise and industrial policy towards a more holistic, systemic and place-based "vitality policy" including softer development values related to attractive living environments, communality and the wellbeing of residents. Research on the topic has, however, remained limited and the views of municipalities unaccounted for. Here the issue of how municipalities themselves regard this shift in their development work was taken under scrutiny using data collected from the rural and peripheral region of North Karelia (Finland). The empirical material was collected from municipal strategies and via face-to-face and telephone interviews with municipal officials. The results show that vitality policy is a holistic place-based tool to develop rural regions involving several policy sectors and a network (system) of organisations from the public, private and third sector centred around the municipality, i.e. local government. Thus, those involved constitute a quadruple helix of actors engaged in rural development. At the same time, under vitality policy, the municipalities have taken a more active role towards strengthening communality. Nevertheless, if (traditional) enterprise and industrial policy fails, other policy measures will have a limited impact on rural development.

**Keywords:** Place-based policy; Periphery; Quadruple helix; Regional innovation system; Rural development

# 1 INTRODUCTION

Rural regions are not void of economic activities: for example, innovation can and does occur outside of clusters and cities (Shearmur, 2015). Still, particularly the theoretical literature on systemic policy approaches has predominantly focused on models fit for core regions and cities (cf. Hayter, Barnes, & Bradshaw, 2003), while neglecting their feasibility to depict rural regions. This naturally gets reflected in the ability of such approaches to guide rural development policy. Therefore, the systemic policy approaches have to be taken out of their comfort zones and "remodelled" to fit other types of regions than the urban core areas of Europe and North America. In this paper, one such policy approach, designed to guide rural development in peripheral Finland, is discussed.

In Finland municipalities have a high degree of autonomy, safeguarded by the Finnish Constitution, including a relatively wide set of powers over regional development and taxation rights (Haveri & Airaksinen, 2007). However, global development trends towards urbanisation at the expense of dwindling rural regions are also visible in many Finnish municipalities. Thus, novel approaches for rural development are needed. It has been argued that future approaches for rural development policies have to go beyond strategies that are based solely on economic growth targets and rather address issues of local participation, social innovation and establishing trust (Dax & Fischer, 2018; Freshwater & Trapasso, 2014; OECD, 2006). Moreover, there is a demand for tailor-made rural development policies to valorise local assets and exploit unused resources based on the distinct needs of different types of rural regions (Freshwater & Trapasso, 2014; OECD, 2006; Voutilainen & Wuori, 2012). Therefore, Finnish policymakers concerned about the future of Finnish rural regions have a strong interest in new rural development policies to counter the global development trend of urbanisation. As a result, in 2015 the Association of Finnish Local and Regional Authorities

(*Kuntaliitto*) published a "manifesto" for one such novel policy concept: "vitality policy" (*elinvoimapolitiikka*[1]). The document introduced a change in rural development from competitiveness and (traditional) enterprise and industrial policy towards a more holistic, systemic and place-based policy including softer development values related to attractive living environments, communality and the wellbeing of residents. Due to the arguments made in favour of incorporating such values into rural development, several Finnish municipalities have already incorporated vitality policy in their strategic development work (Huovinen, 2017). The aim of this paper is, thus, to introduce the concept of vitality policy to the international readership (the literature on the concept is almost exclusively in Finnish) and, further, to scrutinise the novelty and feasibility of the concept and discuss its (potential) wider applicability outside the Finnish context. As such, the first research question of the paper is:

> *"What is vitality policy and what does it add to the existing rural development policy literature?"*

However, since vitality policy has not received much academic attention, there is a risk of directing rural development through the "latest fad" with little research evidence supporting its efficacy (cf. e.g. Johnson, 2007). Moreover, earlier literature (see e.g. Blandford, 2019) has also criticised the use of very broad development concepts that, because of their all-inclusive nature, remain very hard for municipalities to operationalise into concrete policy actions. As we will see later, these critical points need to be taken into account when considering the novelty and feasibility of vitality policy, which naturally casts doubts on the utility of the new policy concept. Without clear and concrete contents, policy concepts and their use (as buzzwords) in rural development policies will remain superficial and unproductive (e.g. Makkonen & Inkinen, 2014; Paananen, Haveri, & Airaksinen, 2014). Thus, the second research question of this paper is:

*Do the municipalities themselves regard the shift to vitality policy as fruitful addition to their development work?*

The remainder of this article is organised as follow: First, a brief introduction to related rural development policy approaches (systemic and place-based policies) are introduced followed by a brief overview of the "evolution" of regional (rural) development policies in Finland from (traditional) enterprise and industrial policy to vitality policy (Chapter 2). Second, the issue of how municipalities themselves regard the shift to vitality policy in their development work is taken under closer scrutiny. To this end, the empirical material was collected from the peripheral and mainly rural region of North Karelia (Finland). The data consists of municipal strategies and 20 face-to-face or telephone interviews with municipal officials. All 13 North Karelian municipalities[2] were considered. The case study region, data and methods of this paper are presented in Chapters 3 and 4. The most important insights derived from the data are presented in Chapter 5, followed by a discussion on the wider applicability, novelty and feasibility of the concept of vitality policy and its similarities and differences to earlier rural development policy approaches in Chapter 6. A summary of the most important implications and notes on the limitations of this paper, paving the way for potential future research, concludes the paper.

## 2 RURAL DEVELOPMENT POLICY APPROACHES

### 2.1 Systemic policy approach: Regional innovation (eco)system and quadruple helix policies

The increased international competition in a rapidly globalising economy, the apparent shortcomings of traditional regional development models and the realisation of the importance of

regional resources in stimulating the innovativeness and competitiveness of firms and regions (Braczyk, Cooke, & Heidenreich, 1998) have led to wide acceptance of Regional Innovation Systems (RIS) as a useful framework for monitoring regional economic and innovation performance (Doloreux & Parto, 2005) as well as a practical tool for policymakers for enhancing regional innovativeness and economic growth (Asheim & Coenen, 2006; Barkley, Henry, & Nair, 2006). Conceptually, a RIS can be defined as "the institutional infrastructure supporting innovation within the production structure of a region" (Asheim & Gertler, 2005, p. 299). What it basically means is that a RIS is constructed from two "subsystems", supported by the local government, that are embedded in a common regional socio-institutional, economic and cultural setting: 1) the knowledge generation and diffusion subsystem and 2) the knowledge application and exploitation subsystems. The former subsystem, where knowledge is mainly generated, consists of public sector actors (such as universities and research institutes), and the latter, where knowledge is mainly transformed into innovation, is made up of private sector actors (i.e. firms) (Autio, 1998; Makkonen, 2012). Therefore, RIS are essentially organisational collaborative networks of public (research) and private sector actors (Makkonen & Inkinen, 2014).

More recently, a wider set of regional actors have been attributed as beneficial to regional development via the introduction of the concepts of innovation ecosystems and quadruple helix. The institutional entities that constitute an innovation ecosystem include: universities, colleges of engineering, business schools, business firms, venture capitalists, industry-university research institutes, national or industrial supported centres of excellence, state and/or local economic development and business assistance organisations, funding agencies, policymakers, etc. (Jackson, 2011). However, while the more direct involvement of, for example, local authorities is brought to the fore of regional development, the innovation ecosystem is still, like in the RIS literature, mainly

seen to be constructed from two separate “economies”: the research economy and the commercial economy (Oh, Phillips, Park, & Lee, 2016). In contrast, the quadruple helix concept is based on four “helices”: 1) academia and technological infrastructures, 2) firms, 3) government and 4) civil society (e.g. Afonso, Monteiro, & Thompson, 2012; Carayannis & Campbell, 2009; Nordberg, 2015). As such, the quadruple helix concept gives greater “weight” to local authorities and third-sector associations in striving for regional development compared to RIS and innovation ecosystems.

As a policy tool, the RIS approach has been applied to peripheral and rural regions, which, according to the literature, commonly suffer from low levels of innovation caused by the dominance of SMEs in traditional industries and the lack of knowledge providers, i.e. from weak knowledge generation and diffusion subsystems (Tödtling & Trippl, 2005). Moreover, even when local universities are present in peripheral and rural regions, there can be a mismatch between the conducted research and graduates supplied and the needs of the local firms (Makkonen, 2012; Brown, 2016). Therefore, key policy measures for targeting these inefficiencies should be related to attracting new firms into the region and linking them to non-local knowledge providers (Tödtling & Trippl, 2005). However, the use of the concept as a policy tool has also been criticised due to the lack of clarity in defining the elements that should constitute a RIS (Makkonen & Inkinen, 2014). Therefore, it has remained difficult to operationalise the concept for policy purposes (Uayrra, 2010; Uyarra & Flanagan, 2010), with, for example, Brown, Gregson and Mason (2016) and Pugh, MacKenzie and Jones-Evans (2018) documenting failures of RIS policy instruments in Scotland and Wales, respectively. Similar criticism has been extended to innovation ecosystems (Oh et al., 2016).

Therefore, although it is not outright impossible that a RIS or innovation ecosystem would emerge and develop in peripheral and rural regions (Doloreux, Dionne, & Jean, 2007), the approaches have

much more often been employed in urbanised metropolitan areas and well-developed core regions (Doloreux & Gomez, 2017). In fact, it has been argued that their development in peripheral and rural regions is difficult, since they might not have the critical mass of relevant regional actors needed to constitute them (Doloreux & Dionne, 2008): i.e. local networks are too thin for there to be a well-functioning innovation system of public research organisations and firms. Therefore, the real existence of such innovation systems in all the regions of the world can be seriously questioned (Zabala-Iturriagagoitia, Gutiérrez-Gracia, & Jiménez-Sáez, 2008), and, as such, the approach may not be a very fruitful policy tool in peripheral and rural regions (Asheim & Isaksen, 2002). Therefore, Kolehmainen et al. (2016) – based on the idea that many peripheral and rural regions, for example, lack universities or other research institutes, a well-developed business community or other strong (enough) public sector actors central to the idea of RIS and innovation ecosystems – have underlined the attractiveness of the quadruple helix concept for rural development, since third-sector associations such as social and community groups (i.e. the civil society) may play a more important role in regional development than previously identified. However, the link between the quadruple helix concept and rural development has not yet received much empirical academic attention (Kolehmainen et al., 2016; Nordberg, 2015).

## 2.2 Place-based policy approach

The heightened importance given to the local level (place) stems from the realisation that over the last decades development policies, be they urban or rural, have tended to resemble each other without considering regional specificities such as natural resources, economic structures and institutional arrangements (Makkonen & Inkinen, 2014; McCann & Rodríguez-Pose, 2011). However, the outcomes of development policies are always affected by the region itself: the same policy will have varying impacts on varying regions (e.g. urban vs. rural regions). Therefore, regional

policies should be tailored to the requirements of an individual region – i.e. they need to be place-based (McCann & Rodríguez-Pose, 2011). Place-based policy has been described as "a supportive and flexible institutional framework" (Bentley & Pugalis, 2014, p. 292) that takes into account the regional specificities – resources, strengths and challenges – of regions and localities. Place-based policies commonly target underperforming areas (Neumark & Simpson, 2015) by tapping into their underutilised regional potential for competitiveness, by bringing different actors together and by developing both soft and hard infrastructures (Garcilazo, 2011; OECD, 2009). The expectation is that improving the innovativeness and competitiveness of "poor" places will lead to economic growth and new job generation and, thus, benefit their residents (Grillitsch & Asheim, 2018; Olfert & Partridge, 2010). Therefore, place-based policy is part of the tools of the senior level of government (Partridge, Rickman, Olfert, & Tan, 2015).

At the local level, policies are (or should always be) essentially place-based (Partridge et al., 2015). This has not, however, stopped regional policymakers from copying potentially poorly fitting development rhetoric and "best practices" from well-off regions (e.g. Hospers, 2006). Moreover, although there is tentative evidence of the efficacy of place-based policy (e.g. Gabriele & Giunta, 2012; Lehtonen & Okkonen, 2016; Partridge et al., 2015), the concept has remained ubiquitous and, therefore, also heavily criticised (Olfert et al., 2014). On the one hand, it has been argued that place-based policy offers means to find the most viable options for economic growth and improved well-being in peripheral and rural regions (Huggins & Clifton, 2011). On the other hand, it has also been argued that the definition of place-based development policy as initiatives that should be tailored to regional characteristics and institutions and highlight the important role of local governments and institutions (Barca, McCann, & Rodríguez-Pose, 2012), offers little guidance on how to choose what to develop or how to set funding priorities (Olfert et al., 2014). In short, the approach has been

criticised for its lack of conceptual clarity and operational precision (Bentley & Pugalis, 2014), hampering its use in rural development.

## 2.3 Regional (rural) development policy in Finland

**Overall (rural) development field in Finland:** The activities of municipalities are influenced by state regulative processes. The Finnish local government is characterised by an organisational structure (Table 1), in which the national level is responsible for tax revenue transfers – as a way to equalise regional development (see e.g. Lotz, 2006) – to local authorities (to fulfil their functions) and for steering policy sectors. Regional governmental administrative organisations (Regional State Administrative Agencies and Centres for Economic Development, Transport and the Environment) are responsible for the regional implementation and supervision of the development tasks of the central government. Regional Councils promote the interest of their respective provinces and Leader groups steer funding for local development projects. Additionally, there are also Regional Development Companies (jointly owned by municipalities), which are responsible for invigorating the regional business environment. Municipalities themselves have the right to levy taxes and implement a wide range of functions they have traditionally been responsible for. These functions comprise the provision of healthcare and social services, education and culture as well as environmental and technical infrastructure services, etc.

<Table 1 about here>

**Traditional enterprise and industrial policy approach:** According to Finnish law, municipalities have to promote the vitality of the region. How they do this is, however, not strictly regulated. In the past this work has been seen almost as a synonym for enterprise and industrial policy, which has been

aimed at promoting entrepreneurship and facilitating firm performance via traditional policy implementation tools such as business information services, zoning/planning, investments in industrial premises, loans and tax reliefs, etc. (Kahila, 1997). Therefore, while municipalities are not bound by the law to make all these services available to local firms, most municipalities provide (at least some of) them voluntarily as they are seen as highly beneficial (e.g. in terms of the income from municipal taxes) for the municipality. However, there are differences between the municipalities in which services they offer and how (Huovinen, 2017).

**Towards a more holistic (vitality) policy approach:** Recent changes in the operational environments of municipalities – including structural changes and changes in the population structures – get reflected in a pressure to rethink the content and choice of existing municipal development policy tools: (traditional) enterprise and industrial policy is not sufficient anymore for retaining vitality (Suutari & Rantanen, 2011). Therefore, in Finland enterprise and industrial policy has been largely supplemented with what has been termed as "vitality policy" (Nurmio & Turkki, 2010). The vitality policy perspective challenges the municipalities to build their strategies based on unique regional resources as well as to holistically involve other local organisations and individual citizens (communality) and to incorporate different policy sectors in their (rural) development work (Association of Finnish Local and Regional Authorities, 2015).

It is envisioned that vitality policy can trigger a virtuous rural development cycle that aims at increasing regional employment rates, which is an important factor in rural development (Rivza & Kruzmetra, 2017; van Rij & Koomen, 2010). Increased employment rates mean i) increased municipal taxes, which can be used to ii) heighten the appeal of the municipality via improved municipal service provision and the creation of attractive living environments, which iii) entice

people to move into the municipality and thus iv) support the competitiveness and growth of local firms via the availability of a (skilled) local workforce finally leading back to v) improved employment rates (Figure 1). Consequently, vitality policy is a holistic concept that horizontally incorporates not only enterprise and industrial policy, but equally also aspects from several other policy sectors such as employment, educational and social policies (Association of Finnish Local and Regional Authorities, 2015; Suutari & Rantanen, 2011). The concept is appealing and, thus, several Finnish municipalities have already incorporated vitality policy in their strategic development work (Huovinen, 2017). However, it has been criticised that many times the notions to vitality policy in municipal strategies have remained superficial and the term is, thus, used as a buzzword without clear and concrete contents (Paananen et al., 2014; cf. Makkonen & Inkinen, 2014).

<Figure 1 about here>

## 3 CASE STUDY REGION: NORTH KARELIA

North Karelia, with a population of roughly 160 000 inhabitants and a population density of ca. 9 people per km$^2$, is a rural and peripheral region in eastern Finland. Its capital, situated at the Russian border and around 375 km northeast from the Finnish capital region, is Joensuu (ca. 76 500 inhabitants) and it contains 12 other municipalities[2] (Figure 2). The centre of Joensuu is the only part of North Karelia considered as “truly” urban (Finland’s Environmental Administration, 2019).

<Figure 2 about here>

The province as a whole is suffering from outmigration (particularly young women) while the remaining population is aging, which is reflected in the socio-economic conditions of the

municipalities. For example, only one municipality (Joensuu) has a better dependency ratio than the national average. Furthermore, the unemployment rates are, despite one exception (Kontiolahti), generally higher than the national average. The negative development trends naturally set the stage and pressures for the municipal development work in North Karelia. As a positive note, the number of entrepreneurs is relatively high. This signals a certain entrepreneurial spirit but is naturally caused partially by the high number of farmers compared to the more urban parts of Finland. However, also the number of active farms has been steadily declining for years. Therefore, new sources of livelihood and forms of entrepreneurship are urgently needed (Makkonen et al., 2019).

## 4 DATA AND METHODS

The strategic work done by municipalities is in a key position regarding (rural) vitality. One of the most visible forms of this strategic work in Finland is the municipal strategy. The municipal vision presented in the strategy should direct how (rural) regional development is implemented in the municipality (Paananen et al., 2014). Therefore, municipal strategies act as a logical starting point for our analysis: we analysed the municipal strategy documents of all thirteen North Karelian municipalities.

The analysis of policy documents was supplemented with interviews with municipal officials, who are in key positions concerning rural development and the strategy work done in their respective municipalities (municipal managers, directors of economic development, etc.). After discussing the list of potential interviewees among the research team and supplementing it after the advice of an external expert (Director of Municipal Development, Regional Council of North Karelia), 31 key stakeholders were identified. Out of these individuals, 20 replied positively and were subsequently interviewed. At least one individual was interviewed from every North Karelian municipality. The

interviews were conducted between October 2018 and January 2019 either face-to-face (fourteen interviews) or via phone (six interviews), recorded and transcribed soon after. The face-to-face interviews lasted on average around 45–60 minutes, while the phone interviews were a bit shorter; circa 20–30 minutes on average. The interviews were conducted in Finnish. The extracts presented in this paper have been translated into English by the authors.

The semi-structured interview framework was organised based on the literature review (particularly Chapter 2.3). The main themes of the interviews were:

- What is the role of the municipality in rural development work?
- What other organisations are engaged in this development work and what are their roles?
- What are the key resources and main challenges in developing the municipality?
- How do the interviewees understand the concept of vitality policy?
- What is, in the interviewees' opinion, the difference between the (traditional) enterprise and industrial and the (new) vitality policies?
- What is the key content of vitality policy in the municipality?

Following Makkonen and Inkinen (2014), we chose content analysis as our methodological tool due to its systematic and objective nature (Prasad, 2008). The analysis followed the standard course of content analysis (Neuendorf, 2002; Tuomi & Sarajärvi, 2002): First, the textual data (policy documents and interview transcripts) were read and passages classified under the different themes identified based on our literature review. These themes include: 1) traits related to systemic policy approach, i.e. to RIS, innovation ecosystems and quadruple helix (public-private-third-sector networks); 2) traits related to place-based policy approach (local resources, strengths and challenges) and; 3) traits related to holistic policy approach (horizontal cooperation between policy

sectors and communality) (Table 2). Second, the textual data under each theme were carefully re-read to double-check the feasibility of the thematical classification. In this way we verified that the text had been "correctly" labelled under the most fitting theme. In cases where this proved to be difficult, the same passage was labelled under more than one theme. Third, we interpreted our data by comparing it to the existing literature with the aim of forming generalisations that provide answers to the posed research questions. Finally, the interpretations were cross-validated across the research team until a consensus was reached.

<Table 2 about here>

Despite the rigorous methodological care taken, it must be noted that naturally (as common with qualitative methods) some subjectivity will (always) remain in the interpretation of the data (Neuendorf, 2002; Tuomi & Sarajärvi, 2002). Therefore, the results have to be treated with the "usual" reservations of non-objectivity. The reservations (i.e. methodological and data-related limitations paving way to setting a research agenda for further studies on rural development and policy) will be discussed in greater detail in the concluding section (Chapter 7).

# 5 RESULTS

## 5.1 Systemic traits of vitality policy

The analysed municipal strategies underline the importance of **public-private-third-sector networks** in vitality policy and rural development as exemplified by the municipal strategy of Rääkkylä:

> *"Our aim is to develop targeted and seamless cooperation between the municipality, local firms and third-sector associations to strengthen the vitality of the municipality."*

Evidently, the municipalities do not see themselves as the only “engines” of rural development. Rather, the interviewees stressed that rural development builds upon the active cooperation between a multitude of different public and private organisations from various fields of society. Rural development in vitality policy is, thus, seen to be a joint-cause for both private and public organisations as well as third-sector associations. The interviewed municipal representatives identified several (local and regional) organisations as vital for the overall development of their rural areas. These organisations include (Figure 3):

- Firms and business associations (provide workplaces)
- Regional development companies (provide business information services)
- Agricultural advisory organisations (provide rural advisory services)
- Regional administrative organisations of the central government and the Regional Council of North Karelia (administer and finance regional development programmes)
- Financial organisation (provide funding for local firms and entrepreneurs)
- Research institutes (connect local actors to international research and funding networks)
- Educational organisations (provide skilled workers)
- Third-sector associations (provide activities in sports and culture and are active in communal work: creating attractive living environments via renovating old buildings, maintaining sport arenas, environmental clean-up operations, etc.)
- Leader groups (promote projects, for example, in local culture and tourism)
- Local media (create positive image of rural regions to attract firms and skilled workers)

<Figure 3 about here>

The municipalities view that they have a central position in steering these rural development networks and stressed that their role in rural development is mostly visible through their (vitality policy) efforts to strengthen local economic growth by attracting skilled workers (in-migration), new firms, investments and jobs in cooperation with the other identified organisations. The importance of vitality policy is heightened in municipalities where there are no large firms to drive economic growth. Nonetheless, the interviewees thought that municipalities would have little chance of success in rural development without the existence and support of other organisations. Third-sector actors, Leader groups and local media have a significant impact on the attractiveness of the municipality in terms of in-migration. Furthermore, educational organisations supply skilled workers to local firms that drive new job generation. Public administrative and financial organisations as well as local research institutes steer national and international investments into the region. Finally, local business associations, local development companies and agricultural advisory organisations have a decisive role in stimulating the creation of new jobs and new firm formation (Figure 3). Municipalities aim, via vitality policy, to facilitate, activate and coordinate these cooperation networks for rural development. Indeed, these results from the case study region showing a network of a multitude of organisations, which determine, in tandem and in cooperation, the competitiveness and attractiveness of municipalities underline that vitality policy is a systemic approach (incorporating aspects from the concepts of RIS, innovation ecosystems and quadruple helix) to rural development.

## 5.2 Place-based traits of vitality policy

The municipal strategies in North Karelian municipalities are fundamentally embedded in **place-based strengths and resources**, which (depending on the municipality) include, for example: closeness to Russia (attractive location for firms and tourists), the availability of affordable industrial

real estate, availability of skilled workers, inclusive coverage of broadband services, extensive day-care and school networks (attractive for families), clean environment, natural resources (particularly forest for the forest industry and clean drinking water for the food industry) and the availability of recreational activities and facilities. The **challenges** facing North Karelian municipalities are, however, by and large very similar: high unemployment, aging of the population and outmigration. This results in an unbalanced municipal financial situation: the number of taxpayers is decreasing while the number of people needing healthcare and social services (pensioners, the unemployed, etc.) provided or financed by the municipality is increasing. This imposes a risk of a "vicious cycle" of rural development, where the unattractiveness (shortage of workplaces, low quality and quantity of services, etc.) of municipalities as a place to live leads to more outmigration, to poorer municipal services and decreased quality of living and, again, feed negatively back to the financial situation of the municipality. Consequently, the interviewees viewed urbanisation as such a strong global trend that rural regions have difficulties in "fighting back" with rural development policies. As stressed by one of the interviewees:

> *"Cities attract people, while populations in rural regions are diminishing. I have been thinking about this development for a long time now and we have tried all sorts of policies to counter it, but it is very difficult to change this general and larger trend towards urbanisation."*

An important notion for countering (at least partly) the trend of urbanisation that was stressed by the interviewees was that, particularly in rural regions, vitality policy needs to be place-based: rural development needs to be led by local actors who know the local conditions (strengths and weaknesses) not by the state or from regional city centres. Furthermore – and maybe a bit surprisingly considering the commonly perceived low innovativeness in public sector organisations, such as municipalities (cf. Makkonen, Merisalo, & Inkinen, 2018) – one point that came out strong

during the interviews was the importance that the municipalities give to new and innovative policy approaches. As stressed by one of the interviewees:

> *"We need experimentation. We have municipal officials proposing new ideas, but often new ideas are met with resistance. I mitigate and stress that we need to try out new things and see if they work or not!"*

As stated, local policies should in essence always be place-based. The same is true for vitality policy: while it has been noted that municipalities have a (strong) tendency to copy each other in laying out development strategies, according to the results – which underline that in North Karelia rural development builds upon place-based strengths and stresses the importance of innovative policy approaches and local actors for rural development – this does not seem to apply to a great extent in the case of North Karelian municipalities' vitality policies.

## 5.3 Holistic traits of vitality policy

The municipalities of North Karelia have adopted the vitality policy approach as part of their municipal strategies, as exemplified by the municipal strategy of Ilomantsi and Juuka, respectively:

> *"The vitality of Ilomantsi consists of all the activities in the municipality: firms and their competitiveness, the ability of the municipality to cater to its citizens in terms of services and facilitating development through projects and investments in culture."*

> *"Facilitating vitality cannot be considered separately from the other functions of the municipality and it cannot be solely developed through enterprise and industrial policy. Rather, the vitality policy perspective should be incorporated into all strategic work done in the municipality, as vitality policy is a wider approach than enterprise and industrial policy, and its*

*implementation is the responsibility of the whole municipality group led by senior management."*

As one can see from the above extracts, although the execution of vitality policy is foremost in the hands of the senior management, it was viewed that vitality policy aspects should encompass all decision-making and development work done in the municipality – as promoted also by the Association of Finnish Local and Regional Authorities (2015). Consequently, the interviewees considered that the concept of vitality policy is a holistic development tool. It was viewed that it encompasses (traditional) enterprise and industrial policy tools, the attractiveness of the municipality and **communality**, and, thus in its widest interpretations almost all the development work done by the municipality. As discussed by one of the interviewees:

*"Firstly, it (the concept of vitality policy) makes me think of enterprise and industrial policy, but then it also encompasses municipal finances, comprehensive municipal services as well as facilitating well-being and communality. All activities carried out by the municipality, really."*

Thus, the interviewees expect that, if successful, vitality policy – resting upon a multitude of development goals (Table 3) – can help the municipality to follow the virtuous cycle of rural development (presented in Figure 2), where positive developments in one aspect of vitality will lead to progress in the others. For example, increasing the attractiveness of the municipality will lead to in-migration and improved supply of skilled workers, which feeds the competitiveness of the local business environment, which creates more jobs, and so on. In effect, the vitality policy, thus, boils down to four interlinked dimensions: competitiveness, attractiveness, wellbeing and communality (Figure 4). As stated by the interviewees:

*"You cannot separate the wellbeing of the citizens from the vitality of the municipality, no way! When one of them develops, so will the other."*

*"We develop the vitality of our municipality through a virtuous cycle: vitality brings in more vitality. If firms locate here and they venture to develop something new, it means that the virtuous cycle will bring in more jobs and then naturally more taxes for the municipality. Then we are in a better position to arrange municipal services. So, the way I see it, it is a virtuous cycle."*

<Table 3 about here>

<Figure 4 about here>

Competitiveness is mainly facilitated through (traditional) enterprise and industrial policy tools. Thus, enterprise and industrial policy was considered to be very important for rural development but relying solely on it was deemed as an utterly outdated approach which does not function anymore. As stated by the interviewees:

*"In earlier times when trying to get new firms here, the only things contemplated were whether we have a functional infrastructure, available industrial plots or offices. These kinds of things. But now we consider that we also need to have good municipal services and attractive living environments for firms to locate here."*

*"We cannot anymore consider that the only role of the municipality is to cater to the infrastructure: production and industrial facilities and roads. This is the way I perceive traditional enterprise and industrial policy, and it does not suffice anymore!"*

Therefore, the municipalities need to be attractive (and market it, particularly in social media) so they appeal to firms and people. Zoning and planning for attractive living environments and availability of different forms of housing (owner-occupied and rental, houses and apartments), offering a variety of options for hobbies (e.g. sport and culture facilities), good-quality municipal services (schooling, healthcare, etc.) all build towards the wellbeing of the citizens. High quality of life is a factor affecting whether people will move out of the municipality or whether, in fact, the municipality attracts in-migration. It was also considered that the civil society and active citizens constitute a very important resource for the overall attractiveness of the municipality. This is because facilitating (e.g. with allowances) communality increases wellbeing and feeds into the total attractiveness of the municipality via communal work. Maintaining sport and culture facilities and cleaning up the environment as well as via the many events organised by local associations all contribute to this attractiveness. Therefore, the interviewees welcomed citizens to participate in municipal and communal development and also considered that municipalities need to encourage participation of citizens in decision-making and other activities (e.g. via the opportunities provided by digitalisation).

Vitality policy is, thus, about **horizontal cooperation between different policy sectors**, not just enterprise and industrial policy. In a way, the vitality of the municipality was considered as a sort of a multiplication: $Vitality = Competitiveness \times Attractiveness(Wellbeing \times Communality)$. If one aspect of vitality – competitiveness (relating mostly to firms) or attractiveness (relating mostly to citizens) – is not functioning well, the other part will also suffer. As stressed by the interviewees:

> *"I have been thinking that, in a way, vitality is sort of a multiplication between its different components. If one part of it is zero, then you do not really have vitality at all."*

> *"If we would drop enterprise and industrial policy out altogether, it is hard for me to imagine that the other development instruments for vitality would, alone, have an impact."*

While vitality policy was generally welcomed as a useful and feasible policy approach for rural development, there were also critical notions towards it. Some interviewees, for example, felt that vitality policy has undermined regional cooperation on the provincial level in favour of municipal competition, which in a small and rural region like North Karelia might have negative impacts in the long run. Municipalities can profit from firms that locate in the neighbouring municipality through, for example, commuting and overly jealous views concerning the success of other municipalities was considered as short-sighted. Therefore, some of the interviewees felt that this will lead to a dog-eat-dog competition, where the municipalities are competing for the same firms already present in the region, rather than trying to join forces to attract firms that would be new to the region. As noted by one of the interviewees:

> *"It is a bit worrying, that if we do not cooperate anymore and only compete against each other for the same firms but cannot do it together to attract firms from outside the region, well then we are on the wrong development path."*

Moreover, as vitality policy was understood as a very broad term encompassing various aspects of rural development, it was also viewed as cumbersome and hard to grasp. Its unprecise definition has led to a situation where different actors understand it in various ways. Thus, the operationalisation of the concept into practice was considered, by some of the interviewees, difficult. One interviewee even felt that the concept of vitality policy is only empty rhetoric, where vitality policy has not changed the development or strategic work done in the municipality. Rather,

it has only given a new term for the work that the municipalities have always done. As such, the concept would not have brought in anything new. In a way this has led, according to another interviewee, to a situation where municipal strategies copy each other, using the same buzz words and terms, without real content behind them. The exact points by these two interviewees were:

> *"Well this discussion about vitality policy, that the work of the municipality is now directed towards its vitality, it is mainly rhetoric garbage. Municipalities have already and always done this work."*

> *"All the municipalities now use these same terms. One should find something to stand out, otherwise we all look the same."*

These critical notions lead us to discuss the wider applicability, novelty and feasibility of vitality policy in the following section (Chapter 6).

# 6 DISCUSSION: THE WIDER APPLICABILITY, NOVELTY AND FEASIBILITY OF VITALITY POLICY?

Rural development needs to be led by local actors who have enough power and resources (budget) to experiment with innovative policy approaches. Thus, local municipal autonomy is an essential factor from the vitality policy perspective. A municipality needs to have these preconditions (regulatory power and resources) to incorporate vitality policy into actual strategic planning work and to practice. In Finland municipalities are self-governing units and, thus, although Finnish municipalities are influenced in many ways by the state (see Table 1), they have enough autonomy to implement vitality policy. However, in terms of its wider applicability it has to be stressed that vitality policy is likely to be a functional development tool only in other countries where the

regions/municipalities have a budget and enough autonomy in decision-making to direct rural development. Thus, the approach should be fitting to other Nordic countries (Sweden, Denmark, Norway and Iceland) and to other countries, in Europe and globally, with high levels of local government autonomy, such as Switzerland, Germany and Poland (see Ladner, Keuffer, & Baldersheim, 2016).

While careful consideration is needed when models originating from the Global North are applied to the Global South's rural contexts (see Saarinen & Lenao, 2014), particularly the focus on the civil society, communality and third sector associations inherent in vitality policy is an apt development approach also for regions with less resources. Additionally, embedding indigenous knowledge – i.e. locally embedded knowledge that is unique to a given community – in vitality policy (in addition to the focus on place-based strengths and resources) would help to adjust the concept into the local contexts of the Global South, since indigenous knowledge facilitates the participatory development processes of local communities (see Jauhiainen & Hooli, 2017; Hooli & Jauhiainen, 2018). At the same time, it can be stated that vitality policy does not necessarily need to be limited to rural development issues. While the shortcomings of earlier policy approaches in directing rural development have acted as the catalyst to develop the concept of vitality policy, and while the issues hampering development in rural regions are often less critical to cities, the approach can very well be implemented also in urban regions (see Tall, Petäjä, Varamäki, & Sorama, 2016). However, in centrally-led countries with weak local governments, it is harder to envision a local authority that could direct the development networks envisioned to act as the cores of vitality policy and rural development.

The vitality policy perspective incorporates four important aspects that differentiate it from the (traditional) enterprise and industrial policy focus. First, it is a **systemic approach** that aims at incorporating public, private and third-sector actors into rural development work. That is, it also highlights the role of the civil society, in addition to the more commonly identified public and private sectors, in rural development by stressing the importance of local associations. Second, it is a **place-based approach** that emphasises the importance of strategic planning that builds upon unique local strengths and resources. Third, it highlights the importance of **communality** in rural development. Fourth, it underlines the importance of **cooperation between policy sectors** (not just enterprise and industrial policy) in rural development. This, however, also adds to the complexity of the concept. As is the case of the other policy approaches discussed in this paper, vitality policy is a very broad term that has not been defined very specifically in terms of how to implement it. As such, it too carries the risk of becoming a policy buzz word with little practical content.

The results of this paper show that the municipalities in North Karelia, have generally adopted vitality policy – as promoted by the Association of Finnish Local and Regional Authorities (2015) – into their strategic development work. The results underline the importance given to public-private-third-sector networks (led by the municipalities) in vitality policy, which is fundamentally embedded in place-based strengths and resources. Thus, while bringing in a more holistic perspective for directing rural development, vitality policy builds, conceptually and in practice, upon systemic and place-based policy approaches. As such, the concept of vitality policy is mainly a “rhetoric” move that incorporates practices from existing policy approaches. Therefore, its novelty value can be questioned.

The results, however, also underline that vitality policy has improved horizontal cooperation between different policy sectors (enterprise and industrial, employment, social, educational, etc.) within the municipalities by incorporating them into rural development work. Moreover, under vitality policy, the municipalities have taken a more active role towards strengthening communality. Therefore, implementing vitality policy has "opened the eyes" of municipal officials to develop their regions in a holistic manner that incorporates the different functions catered by the municipalities. At the same time, vitality policy has facilitated municipalities to consider communality as a source of development and, thus, to take the opinions of citizens and third-sector associations into account in strategic development work. This was considered as a welcome change by the municipal officials that has the potential to steer rural development in a more opportune way than relying solely on the (traditional) enterprise and industrial policy already implemented in the municipalities.

Finally, implementing vitality policy has shifted the focus from strict economic growth targets related to competitiveness to a wider set of goals related to the attractiveness of the municipality that is built upon the well-being of the citizens and communality. Naturally, competitiveness and, thus, (traditional) enterprise and industrial policy is still very important: without it, the other development initiatives will have a limited impact on rural development. The shift in the focus from regional (provincial level) to local competitiveness has consequently increased municipal competition: the implementation of vitality policy has, in its part, led to the dismantling of municipal cooperation evident, for example, in the recent changes in the jointly owned Regional Development Companies in North Karelia: certain municipalities have left the companies and, now, provide the same services on their own (see Makkonen et al., 2019). Some municipalities succeed better than others in this competition, which can hamper the balanced overall growth of the province.

To conclude, most of the interviewees consider the concept of vitality policy, despite its limitations discussed above, as a useful development approach that widens the scope of rural development. Therefore, while the novelty of the concept is more questionable, its feasibility was widely acknowledged among the interviewed municipal officials.

## 7 CONCLUSIONS

To summarise an answer to the first research question ("What is vitality policy and what does it add to the existing rural development policy literature?"): The vitality policy perspective builds upon existing systemic and place-based policies. As such, it stresses the role of public-private-third-sector networks in rural development work and the importance of strategic planning that is built upon unique local strengths and resources. However, it also goes beyond the existing approaches by combining the different aspects of regional development into a holistic policy that underlines the importance of communality and the need for horizontal cooperation between various policy branches within the municipality. This differentiates it from the existing systemic and place-based policy approaches and the (traditional) enterprise and industrial policy focus. The aim of vitality policy is, thus, to facilitate the competitiveness and attractiveness of the municipality (as a whole) to which vitality is seen to be based upon.

For the second research question ("Do the municipalities themselves regard the shift to vitality policy fruitful for their development work?") it can be stated that: Municipalities in North Karelia have generally adopted the vitality policy perspective discussed above into their development work. Nonetheless, it is realised that vitality policy is more a shift in the rhetoric of rural development rather than something radically new. At the same time the municipal officials have, however, welcomed vitality policy as a tool for rural development due to the underlined importance given to

communality and, particularly, to the horizontal cooperation between different policy branches within the municipality. Thus, as vitality policy involves a move away from focusing only on (traditional) enterprise and industrial policy, it was seen as a feasible policy concept that widens the scope of rural development. As such, the concept of vitality policy is a promising tool also for other countries, with high levels of local government autonomy, than Finland to develop their rural (and urban) regions. Lastly, since the policy approach was developed in the Global North, care needs to be taken when transporting the concept to other contexts. Embedding indigenous knowledge in vitality policy would support the adaptation of the concept into the regional (rural) development of the Global South.

However, vitality policy is a very recent approach and a longer time-frame is needed before one could make definite statements concerning its feasibility and wider applicability outside the Finnish context. Thus, the empirical approach adopted in this study leaves room for future studies: 1) to verify the results presented here with evidence from different geographical settings (regions and countries); 2) to collect data over a longer time-period to test whether the optimistic views on the usefulness of the approach are still agreed upon after several years of introduction and implementation and; 3) to formally test whether the policy has affected rural development with quantitative data. Hopefully, this paper can act as a platform for future studies on this promising policy concept.

## FOOTNOTES

[1] The Finnish term "*elinvoima*" could also be translated, for example, to "vigour" or "viability", but here we follow Suutari and Rantanen (2011, p. 187) and use the term "vitality"; "*politiikka*" = "policy".

[2] Valtimo municipality merged with the town of Nurmes in 2020.

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**TABLES**

Table 1. The overall (rural) development field in Finland.

| Geographical level | Organisation | Functions |
|---|---|---|
| National | Government / Ministries | Central government transfers tax revenues to local governments / Ministries steer their respective policy sectors |
| Regional | Regional State Administrative Agencies | Safeguard basic rights and legal protection, access to basic public services, environmental protection and public safety |
| Regional | Centres for Economic Development, Transport and the Environment | Regional implementation of development tasks of the central government |
| Regional | Regional Councils | Regional and land-use planning and the promotion of regional interests |
| Regional | Leader groups | Steer local development funding (from the EU, central government and municipalities) for firms and associations |
| Regional | Regional Development Companies (jointly owned by municipalities) | Regional business development, business counselling and marketing of the region |
| Local | Municipalities | Right to levy taxes; Provision of healthcare and social services[1], education and culture, environmental and technical infrastructure services, etc. |

[1] North Karelian municipalities created a joint regional authority in 2017 for healthcare and social services: the municipalities still have the responsibility of financing healthcare and social services but not the responsibility of arranging them (Makkonen, Jolkkonen, Kahila, Lemponen, & Forsberg, 2019).

Table 2. Analytical framework for vitality policy.

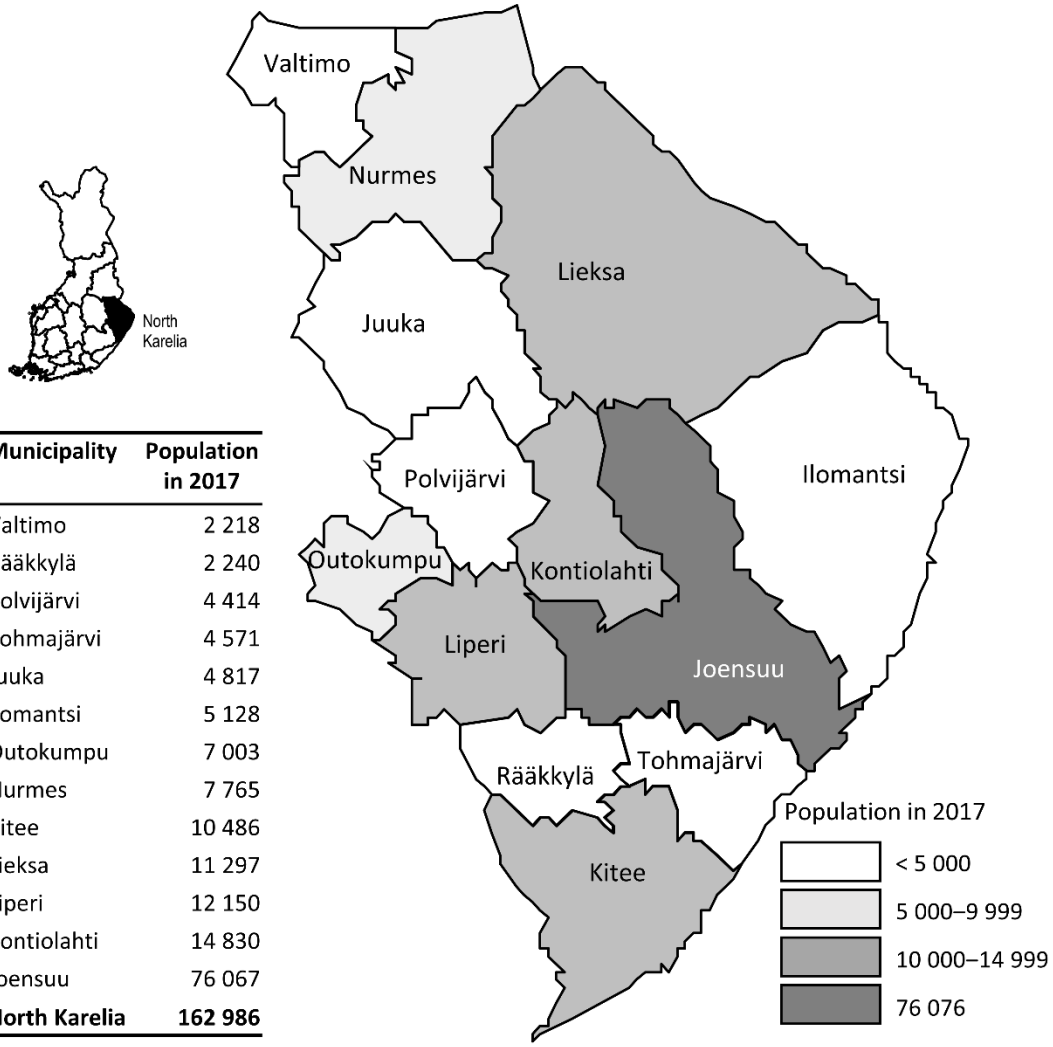
| Systemic traits | Place-based traits | Holistic traits |
|---|---|---|
| Public-private-third-sector networks | Local resources, strengths and challenges | Horizontal cooperation between policy sectors; Communality |

Table 3. Development goals of vitality policy.

| **Competitive business environments (through enterprise and industrial policy)** |
|---|
| Providing business information services |
| Ensuring well-functioning infrastructure, incl. broadband connections |
| Ensuring the availability of industrial plots and office space |
| Ensuring the availability of skilled workforce |
| Activating entrepreneurship |
| Supporting competitive firms, via e.g. small grants, loans and allowances |
| Supporting local products and services through municipal procurement |
| Active lobbying towards the state |
| **Attractiveness as places to live** |
| Providing attractive living environments |
| Providing different forms of housing |
| Ensuring comprehensive municipal services |
| Providing culture, sports and other hobby facilities |
| Organising attractive local events, such as fairs and music festivals |
| Marketing the municipality, particularly in social media |
| Activating citizens |
| Supporting communal work |

**FIGURES**

Figure 1. The envisioned virtuous cycle of vitality policy and rural development. Source: Modified from Sallinen (2011).




| Municipality | Population in 2017 |
|---|---|
| Valtimo | 2 218 |
| Rääkkylä | 2 240 |
| Polvijärvi | 4 414 |
| Tohmajärvi | 4 571 |
| Juuka | 4 817 |
| Ilomantsi | 5 128 |
| Outokumpu | 7 003 |
| Nurmes | 7 765 |
| Kitee | 10 486 |
| Lieksa | 11 297 |
| Liperi | 12 150 |
| Kontiolahti | 14 830 |
| Joensuu | 76 067 |
| **North Karelia** | **162 986** |

Figure 2. The municipalities[2] of North Karelia and their population. Source of population data: Statistics Finland (2019).

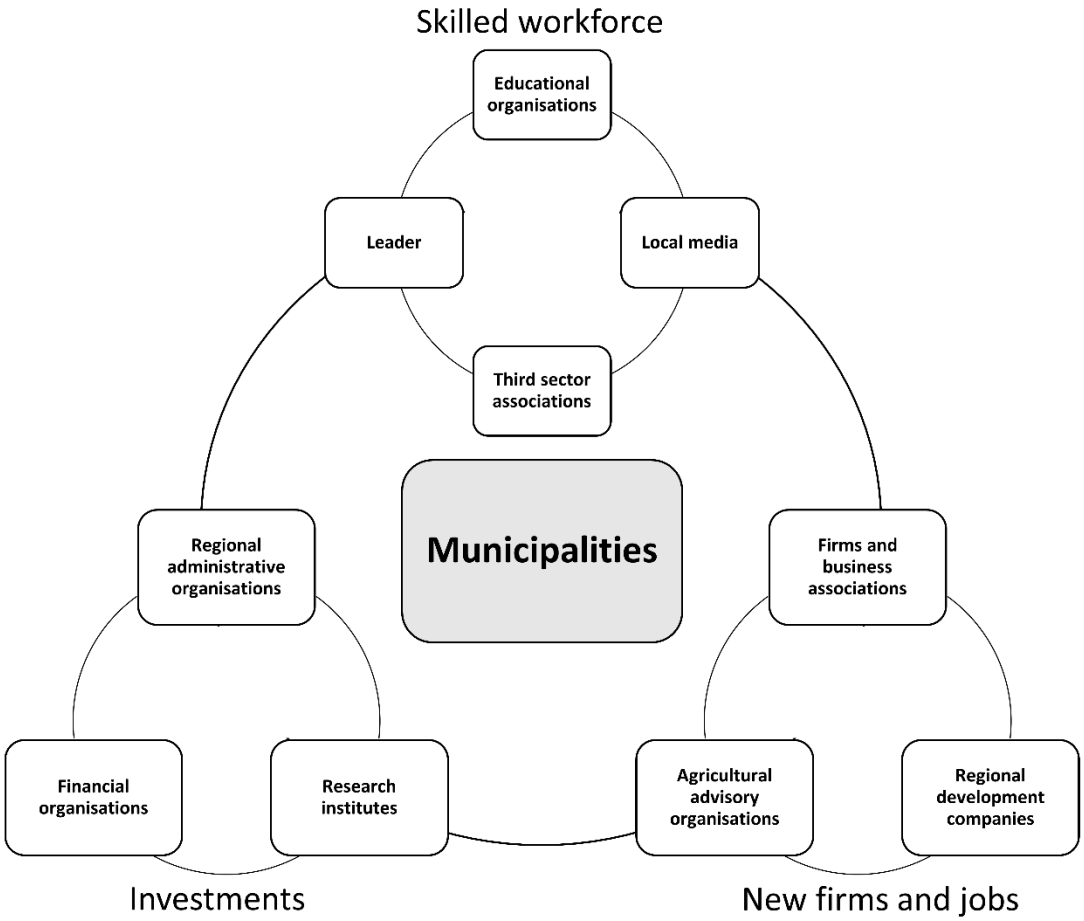



Figure 3. The public-private-third-sector networks of vitality policy and rural development.

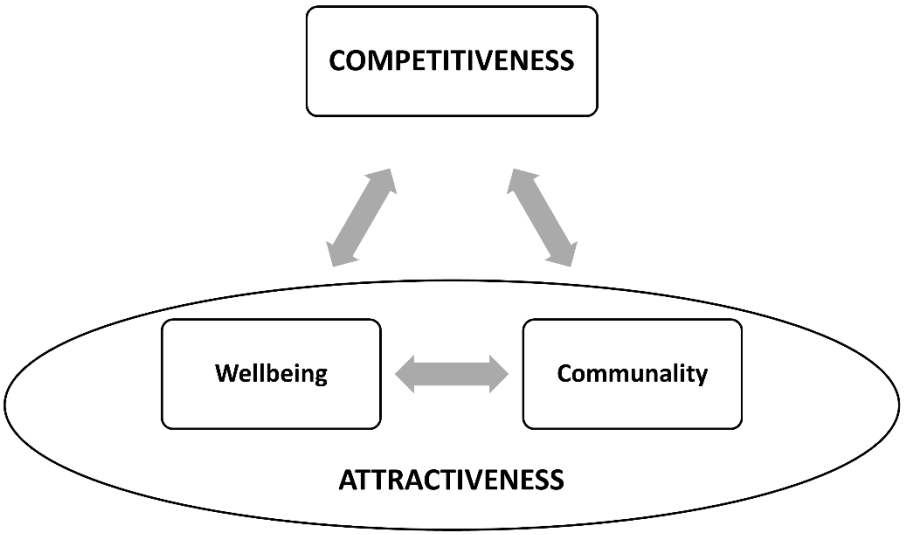



Figure 4. Vitality = Competitiveness × Attractiveness. Source: Modified from Makkonen et al. (2019).