

Attractive Competitiveness or Competitive Attractiveness?

Session 9: Rural, Community and Economic Development, and Strategic
Planning

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Outline of the presentation

Background

- Conceptualizing a Local Economy
- Importance of Small and Medium Businesses

Enterprise Zones in Urban Areas

- Several programs
- How do UFZs work?
- A mitigated impact

Enterprise Zones in Rural Areas

- Rural in France
- The Program in a Nutshell
- Little Impact Assessments

Perspectives

- Circular Economy
- Common Agricultural Policy

Background

Conceptualizing a Local Economy

The Importance of Small and Medium Businesses

Conceptualizing a Local Economy

Institutional context

Community

Outside sources of income

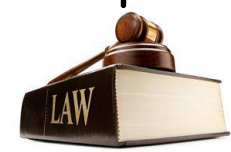
Sales to outsiders

Outside-of-community consumption

Financial transfers to company head quarters



Pay wages



Rent their capacity to work

Importance of Small and Medium Businesses

- ▶ 4 million SMEs
 - ▶ Less than 250 employees
 - ▶ Turnover < 50M €
- ▶ 99.9% of French businesses and ½ salaried jobs
 - ▶ 1/2 belongs to a Company
- ▶ Increasing share of French exportation
 - ▶ +3% in 2016 towards USA and China
 - ▶ Often dependent on a specific market or product



Enterprise Zones in Urban Areas

Several programs

How do UFZs work?

A mitigated impact

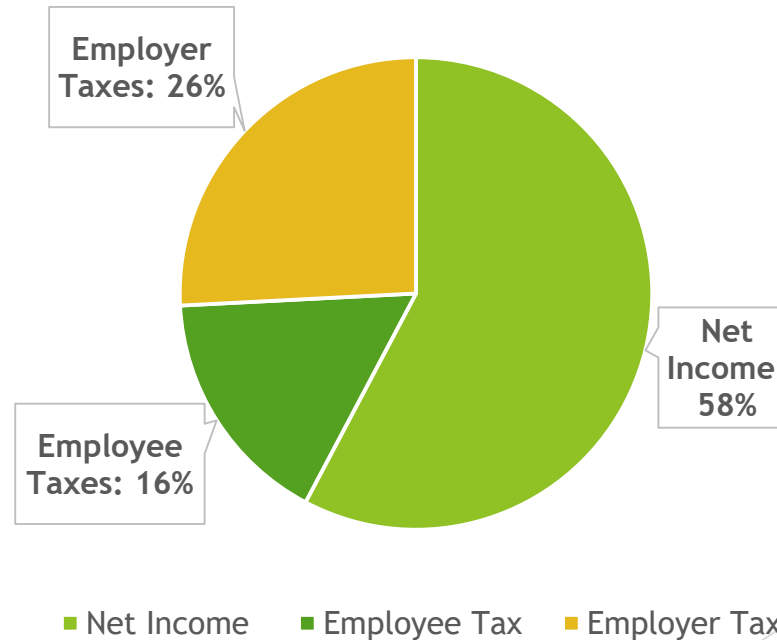
Several Programs

Program	Target	Area	Criteria	Benefits
Urban Revitalization Areas	Associations			Employer taxes exoneration
Urban Free Zones	Businesses		- Less than 50 employees	Employer and property taxes exoneration
Urban Free Zones - Entrepreneur Area	Businesses	<ul style="list-style-type: none"> - Share of youth - Unemployment rate - Share of population with no diploma 	<ul style="list-style-type: none"> - Less than 50 employees - Employees live in the UFZ - Less than 10M of sales revenue - Less than 25% of assets owned by a firm with more than 250 employees 	Profit tax exoneration

How do UFZs work?

- ▶ Targeting small businesses
 - ▶ Main job providers
 - ▶ Ability to locate or relocate easily
 - ▶ But high death rate
- ▶ Exoneration of employer taxes
 - ▶ Immediate effects on cash flow
- ▶ Indirect effect on employment
 - ▶ No major constraints

Cost of a job for a business
(Median Salaried Wage)



A Mitigated Impact

Benefits

- ▶ Significant increases in number of businesses and salaried jobs
- ▶ Significant increase of low-skilled workers employment
- ▶ Positive impact on industry jobs and service jobs (health, education, and community services)

Limits

- ▶ High turnover in businesses: long-term program is needed
- ▶ Employees do not move into the UFZ area
- ▶ Service businesses may have mail box addresses or relocate easily once the program is over

Enterprise Zones in Rural Areas

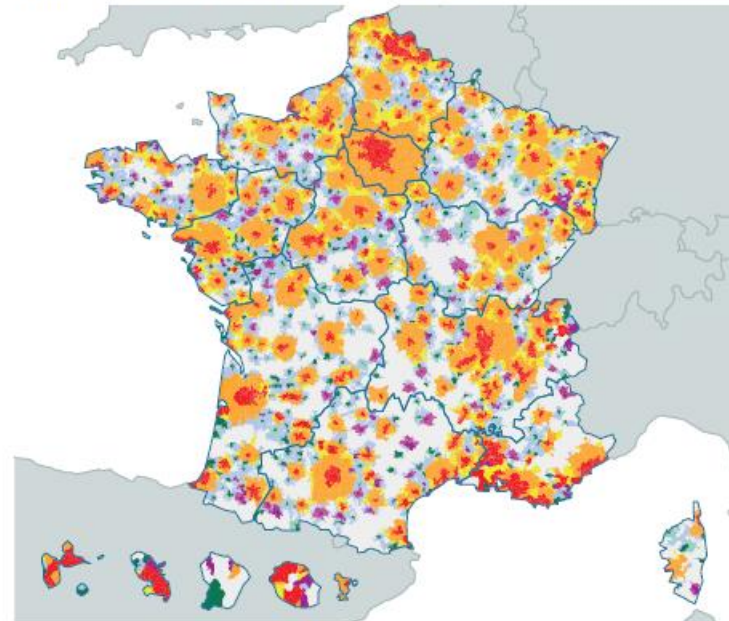
Rural in France

The Program in a Nutshell

Little Impact Assessments

Rural in France

Typologie du zonage en aires urbaines



Grandes aires urbaines

- Grands pôles
- Couronnes de grands pôles
- Communes multipolarisées des grandes aires urbaines

Aires moyennes

- Pôles moyens
- Couronnes des pôles moyens

Petites aires

- Petits pôles
- Couronnes des petits pôles
- Autres communes multipolarisées
- Communes isolées, hors influence des pôles

Sources : Insee, zonage en aires urbaines 2010, IGN GéoFla 2015
Réalisation : CGET, 2017

- ▶ Historically devoted to agricultural production
- ▶ Growing residential, environmental, and touristic functions
 - ▶ Peri-urbanization
 - ▶ Biodiversity conservation
 - ▶ Growth of services

The Program in a Nutshell

- ▶ Criteria of territorial inclusion :
 - ▶ Population decline
 - ▶ Active population decline
 - ▶ High share of agricultural jobs
- ▶ Criteria of business inclusions:
 - ▶ Effective location and production
 - ▶ Less than 11 employees
 - ▶ Less than 50% of the business assets owned by a firm
- ▶ Benefits:
 - ▶ Exoneration of profit tax
 - ▶ Exoneration of property tax

Little Impact Assessments

- ▶ No impact on employment nor on business creation (Lofredi 2007, Lorenceau 2009)
- ▶ Restrictive criteria to access tax exonerations
 - ▶ Job creations that increase total business' workforce
 - ▶ No job termination during the last two years
- ▶ Specificity of the rural context
 - ▶ Benefits hardly compensate rural costs

Conclusion & Perspectives

The circular economy

The Common Agricultural Policy

The Circular Economy

- ▶ Growing concerns for environmental protection and climate change mitigation
- ▶ Exit the linear approach: biomass extraction/consumption/wastage
 - ▶ Production processes: complementarity of activities
 - ▶ Consumption behaviors: better planning
 - ▶ Waste treatment: identifying new resources

The Common Agricultural Policy

- ▶ Growing share of the CAP
 - ▶ First pillar: 313 billion (direct income and market structure)
 - ▶ Second pillar: 96 billion (rural development)
- ▶ Multifunctionality of rural areas
 - ▶ Agricultural production but not only
- ▶ Subsidiarity
 - ▶ Importance of the national and territorial levels