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## THE EFFECT OF CHANGES IN ADMINISTRATIVE DIVISION ON THE ECONOMIC POSITION OF THE LARGEST CITIES IN POLAND

**Abstract:** Among the functions fulfilled by cities in relation to their hinterland, an important function is that of public administration. Changes in administrative division, instituted in Poland in 1999, have either weakened or strengthened the economical role of many cities.

A city's position within the hierarchy of the centers of public administration within a country has, in Poland's case, a significant effect upon the geographical movements of companies. An attempt was made to preliminarily gauge the effect of administrative changes upon the location of corporate offices. Changes in the distribution of companies providing the selected types of services in the 100 largest Polish cities were taken into account. The relationship between the change in the number of companies in each city and the potential social and economic role of the city in the general sense was examined.

**Key words:** administrative division, city, economical importance, services.

A city's position within the hierarchy of the centers of public administration has a significant effect – due to the high degree of centralization of power – upon the geographical movements of companies, especially within the private sector. An attempt was made to look at this relationship taking Poland as an example, by preliminarily gauging the effect of administrative changes upon the placement of mainly service company offices. Changes in the spatial distribution of companies providing the selected types of services in the 100 largest Polish cities from the mid-1990's to the year 2002 were taken into account. The sample of the cities studied included the capitals of the new voivodships, other cities which were voivodship capitals prior to 1999, as well as cities having the status of districts and other cities being the capitals of districts. Changes in the number of companies in the specific cities were examined in relation to the cities' potential role, in light of their positions in the administrative hierarchy.

Among the functions fulfilled by cities in relation to their hinterland, an important function is that of public administration. The change in territorial division which took place in Poland in 1999 restored many urban centers to their land district capital role and relatively strengthened the role of the new voivodship capitals. These changes also included denying many urban centers their previous status as voivodship capitals. The essence of the change

in division was based, among other things, upon the creation of the district [*powiat*, also sometimes translated as “county”] as the intermediate autonomous administrative unit between the voivodship [*województwo*, equivalent to a “state” or “province”] and the “commune” [*gmina*].<sup>1</sup> The creation of 370 districts in 1999 was coupled with giving them the authority to make decisions in many administrative areas, the most important two being control over education beyond the elementary level and over building codes. In the wake of the creation of new administrative offices came changes in the location of business entities.

Each city is characterized by a unique social and economic structure. Although some functions fulfilled by the given urban center contribute to the dynamism of the city’s development, the importance of a city stems mostly from its service-related functions, including administrative services. It is through the presence of administrative institutions and authorities that cities become centers of power (Wendt, 2001), even at the level of district capitals, through the presence of basic state government institutions. Geographers have analyzed the effect of the administrative function upon the population development and economic situation of cities. In the case of Poland, one need only mention works included in the review from the several Łódź University Seminars on Urban Studies (*Funkcje administracyjne...*, 1992).

By administrative function, we mean here, quoting S. Liszewski (1992, pp. 250–251), “the presence of, as well as any and all activities of, offices, organizations and institutions which steer and manage economic, social and political life (...).” Administrative function conceptualized thus is an indicator of the inner rank of a city. This function may be analyzed in relation to the geographic scale of activity of the administrative institutions (the territorial aspect), in which case we differentiate among several levels of function performance, from the local up to the state level. The merely presence of such institutions has an effect upon the significance of the urban center.

As noted by W. Maik (1997) among others, the administrative function constitutes the basis of urban life, since the associations which are the result of political and administrative organization promote associations in other areas, thus influencing other aspects of life. Simultaneously, the extent of this influence affects the relative economic role of the territorial administration centers. The high degree of power centralization in Poland still favors the largest urban centers and Warsaw above all.

Within countries with a relatively centralized economy, the presence of public administration institutions affects the corporate choice of location. The

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<sup>1</sup> Translator’s note: Furthermore, a district is either one of two kinds: a land district or a city district. The first encompasses several communes. The second is a city with district status which also constitutes one commune. A city district may also house the administrative center of a land district of which it is not a part. If that is not the case however, the land district will have its own capital city. All the cities considered in this paper are at least land district capitals.

specific administrative climate, determined by the amount of administrative authority over the scope of business activity, over the process required for starting a business and over legal regulations, plays an important role among the factors affecting the choice of location (Budner, 2003). The last factor seems especially significant because due to the changing nature of the legal code in Poland, help in interpreting new regulations is often needed. In effect, the distribution of companies to a great extent stems from the necessity of being close to the centers of decision-making.

This is especially important in the case of service-related industries, which constitute the economic foundation of most cities. Already in 1996, at the beginning of the period studied, in cities with a population over 20 000, which are the current district urban centers, the job market was dominated by the service sector (Wilk, 2001). The link between business location choice and access to the main decision-making centers is most noticeable in the case of intangible, information-related services.

Following the changes in administrative division in Poland in 1999, capital cities of the new voivodships retained and even expanded their economic role. Denying other urban centers their earlier status of voivodship capitals also had an effect upon their general economic potential and their ability to attract investors, even though some attempts at compensation were made by giving/leaving them certain administrative duties. A different situation ensued in cities which were granted the status of district capitals and thus gained a significant incentive to develop further.

Although the full picture of the changes in the economic potential and structure of cities, shaped among other factors by their new administrative function, is to be seen further in the future, the new administrative divisions have been in effect for several years, allowing us to draw preliminary conclusions and notice patterns in the economic changes taking place in the various types of cities.

For the purpose of such analysis, the 100 largest cities in Poland (in terms of population), were divided into four groups. The first group comprised the 18 capital cities of the 16 new voivodships. The second group was made up of those 31 cities which lost their voivodship capital status in 1999. The third group included the 20 independent urban centers not included in the previous two categories that have the status of city districts. The sample was augmented by including the 31 remaining largest Polish cities [capitals of land districts].

The statistical analysis was done on all the available data for the period from 1995 to 2002. Testing the hypothesis that a city's particular administrative function affects its attractiveness (competitiveness) to entrepreneurs required setting apart the period prior to the change of the administrative status of cities, which is the reason for having two separate periods: 1995–1998 and 1999–2002.

The main indicator showing the economic condition of a city in relation to its administrative status was the presence of companies representing the

selected categories of services. From among an unusually heterogeneous set of service industries, the researchers chose those the presence of which indicates the dynamic economic development of a city (especially in light of economic development in Poland during the 1990's). The legal and banking industries, the two service-providing industries examined, were represented by notary offices and bank branch offices, respectively. These establishments serve individual clients as well as other business entities. This choice of focus was driven by the desire to avoid using unreliable data sets in the analysis. Notary offices and bank branches are required to be registered, so the official address registers can be used to identify them and determine their distribution.

During the period from 1995 to 2001, a decrease in population was noted in three of the four groups of cities studied. Meanwhile one group, the capitals of the old, pre-1991 voivodships, experienced a slight increase in population, but even their population growth was stifled after 1998 (Table 1). During the years 1998–2001, only the city districts did not experience negative population growth.

Table 1.

Rate of change in the population of the cities studied during the years 1995–2001

City groups	Population in thousands (2001)	Change in population 1995–2001 (1995 = 100)	Change in population 1998–2001 (1998 = 100)
“New” voivodship capitals	7563 (50,4%)	97,0	97,5
“Old” voivodship capitals	2988 (19,9%)	100,3	99,7
City districts	2505 (16,7%)	97,0	98,5
Land district capitals	1954 (13,0%)	98,9	100,1
<b>Total</b>	<b>15010 (100 %)</b>	<b>97,9</b>	<b>98,4</b>

Source: The Polish Central Statistical Office (*Główny Urząd Statystyczny*).

Each group of cities retained the same proportional share of the population throughout the entire duration of the study. The population of the capitals of the new voivodships constituted 50-51% of the entire population of the 100 cities studied. For the remaining groups, the share was over 19% for the old voivodship capitals, 17% for the city districts and 13% for the remaining land district capitals. These preliminary remarks pertaining to population will be used to shed light on the problem of the change in the number of business entities, and more specifically whether this change should be tied to changes taking place on the market (the population figures indicating a potential change in the demand for the given services), or rather with changes of the administrative status of the city.

While the largest cities, the capitals of the new voivodships, experienced largest relative growth, the smallest cities had the least impressive statistics. (Table 2) Dividing the period studied into two periods, before and after the changes in administrative division, does however make it possible to notice significant differences. Before 1999, bank networks had been developing the best within the 49 voivodship capitals, while from 1999 onward there was an obvious slowing of development in the urban centers which had lost their voivodship capital status. The cities with the best results for that period were the city districts which had not been voivodship capitals previously.

Table 2.  
Change in the number of bank branches during 1995–2002

City groups	Number of branches			Rate of change		
	1995	1998	2002	1995–2002 (1995 = 100)	1995–1998 (1995 = 100)	1998–2002 (1998 = 100)
“New” voivodship capitals	578	689	731	126,5	119,2	106,1
“Old” voivodship capitals	270	306	317	117,4	113,3	103,6
City districts	99	106	116	117,2	107,1	109,4
Land district capitals	125	133	135	108,0	106,4	101,5
<b>Total</b>	<b>1072</b>	<b>1234</b>	<b>1299</b>	<b>121,2</b>	<b>115,1</b>	<b>105,3</b>

Source: The National Bank of Poland (*Narodowy Bank Polski*).

However, the “old” voivodship capitals’ share in the overall number of bank branches shrunk only insignificantly (from 25% to 24%). A similar trend was observed among the land district capitals (from 12% to 10%). The capitals of the new voivodships were the only group of cities which experienced an increase in their share (from 54% to 56%).

From 1995 to 2002, the development of notary office networks proceeded according to a similar model. During the entire period, there was a clear correlation between the rate of increase in the number of notary offices and the size of the urban center, determined by the number of inhabitants (Table 3). However, although during the first period an above-average rate of change was noted only in the group of the largest cities, during the second period (ending in 2002), a comparable rate of change was noted in city districts as well. Within the group of cities which in 1999 lost the status of voivodship capitals, the rate of change for the entire period, as well as during each of the sub-periods, was lower than average. However, only after the loss of capital status did the rate of change in the number of notary offices for this group of cities resemble the changes within the land district capital group more than the changes within the city district group.

Table 3.

Rate of change in the number of notary offices during 1995–2002

City groups	Notary offices			Rate of change		
	1995	1998	2002	1995-2002 (1995 = 100)	1995-1998 (1995 = 100)	1998-2002 (1998 = 100)
“New” voivodship capitals	301	373	523	173,8	123,9	140,2
“Old” voivodship capitals	142	165	188	132,4	116,2	113,9
City districts	50	58	79	158,0	116,0	136,2
Land district capitals	83	95	101	121,7	114,5	106,3
<b>Total</b>	<b>576</b>	<b>691</b>	<b>891</b>	<b>154,7</b>	<b>120,0</b>	<b>128,9</b>

Source: The government publication *Monitor Polski* (“The Polish Monitor”) from 1995 (no. 11, item 137), 1998 (no. 23, item 337), 2002 (no. 11, item 203).

Changes in the 31 former voivodship capitals’ relative share of the overall number of legal entities happened in a similar fashion. Before 2002, this city group’s share went down from 25% to 21%. The role of the land district capitals also weakened (from 14% to 11%). The city districts retained the same share (around 9%). In 2002, the presence of notary offices in the largest urban centers definitely increased, from 52% to nearly 59%.

Making generalizations regarding the outlined changes in the number of business entities is made easier by using the location quotient.<sup>2</sup>

Although the calculation results do not show major changes in the location quotient, looking at the location quotient of each city group does allow certain conclusions. Two groups, the capitals of the new voivodships and the city districts, showed positive changes in the location quotient from 1995 to 2002. The first group experienced the greater changes (+0,04 for banks and +0,11 for notary offices). On the opposite end of the spectrum were cities which lost voivodship capital status. In their case, the change in the quotient for banks and notary offices was –0,03 and –0,18 respectively. Furthermore, only in this group of cities negative changes in the quotient were determined for the entire category of businesses providing services to other businesses.

Although this study does point to a certain relationship between the loss of administrative status of some cities and the weakening of their relative

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$$\text{Location quotient} = \frac{\text{Number of bank branches (or notary offices) in city group}}{\text{Total number of business entities in city group}} \Bigg/ \frac{\text{Number of bank branches (or notary offices) in all 100 cities}}{\text{Total number of business entities in all 100 cities}}$$

position on the economic map, there is clearly no doubt that the noted correlation needs to be verified in relation to a much longer time period, so any temporary fluctuations can be ruled out. Then, with the use of a broader set of measurements, it will also be possible to speculate to what degree the change in administrative division contributed to the weakening or strengthening of the economic situation of the largest Polish cities.

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