

# Metropolitan Regions and the skilled labor problem: a challenge for regional governance systems?

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## **Abstract**

The lack of a skilled labor force has become a big issue for the metropolitan regions in Germany, for which it is especially important to have sufficient skilled labor force. In order to maintain its competitiveness, it becomes increasingly important for the Metropolitan Regions to develop and deploy strategies and measures of providing a sufficient skilled labor force. A key role for this plays the Regional Governance, which have assumed various forms in the German Metropolitan regions. The aim is to show for the cases of the German metropolitan regions of Rhein-Neckar and Nürnberg how the field of action of providing skilled workers in the region, is being steered by the regional governance. The steering of this field of action follows different organizational approaches due to the respective type of regional governance. Whereas the Regional Governance in the region of Rhein-Neckar shows a strong formal institutionalization, it is less formal in Nürnberg. For providing skilled labor force it seems to be a crucial factor to implement a stronger formal institutionalization, mainly of the cooperation between the political and economic sector. However, the more formal the institutionalization of the cooperation is, the more difficult is the participation mainly for those mostly affected by the lack of a skilled labor force, for example the SMEs. Thus, the challenge is to find the right balance between a stronger formal institutionalization and allowing a high participation of stakeholders.

**Key words:** Governance, Metropolitan Regions, lack of a skilled labor force

## Introduction

In Germany, in the context of both a declining as well as ageing population, a lack of skilled labor is increasingly seen as a potential threat to continued economic competitiveness. This has been heightened by the experience of relatively strong economic growth since the economic crises in 2008/2009. Furthermore, this issue of potential shortages of skilled labor has also filtered down to the regional level, where politicians (and others) are increasingly trying to develop and deploy strategies and measures to improve the supply of skilled labor and thus to enhance regional competitiveness. Such strategies tend to focus on attracting skilled labor from abroad or from other regions in Germany, and on mobilizing more of the economically inactive population to enter the labor market, e.g., by improving the skill level of the resident labourforce or by measures allowing for a better work-life-balance. While at present, it is still the rural regions of the country that tend to be more strongly affected by shortages of skilled labor, some of the larger urban agglomerations and metropolitan regions are also experiencing certain shortages. In fact, the most dynamic urban regions also tend to have a high demand for skilled labor due to a high concentration of research and knowledge-driven industries, and it is in these, where future regional competitiveness might be most at risk.

This article assumes that the regional level and regional governance arrangements are crucial for tackling the issue of securing an adequate supply of skilled labor. As Germany introduced a strategy of delineating official Metropolitan Regions in the context of European strategic development initiatives in the 1990s, this article will focus its empirical investigation on just such urban regions, based on the following two key research questions:

- What can regional governance (and an institutionalized Metropolitan Region) contribute to regional economic development by tackling the skilled labor challenge?
- Which forms of institutionalized regional governance are most successful in dealing with this issue?

To investigate these questions empirical fieldwork was undertaken in the two German Metropolitan Regions of Rhein-Neckar (i.e., the region around Mannheim, Ludwigshafen and Heidelberg) and Nuremberg (in northern Bavaria). Both regions have a relatively strong technology-driven industrial base, and are thus highly dependent on skilled labor to ensure existing levels of innovation and regional competitiveness. Yet, the two Metropolitan Regions show very different institutional designs of metropolitan governance, allowing for a better comparison of the importance of forms of institutionalization and the stringency of regional governance arrangements. The research was primarily qualitative in nature, intensive interviews with key stakeholders in the fields of skilled labor and regional governance forming the primary data source. This was supplemented by documentary research and some basic quantitative data analysis on regional economic and employment structures.

## **Metropolitan Regions in Germany and their metropolitan governance**

Metropolitan Regions have formed a territorial category of spatial development planning in Germany since the 1990s. Their introduction was based on the theory that key urban and metropolitan regions – as dynamic economic agglomerations – fulfill a special role as national (and even Europe-wide) drivers of innovation and competitiveness. These official Metropolitan Regions are no new administrative entities as such. Rather, their spatial delineation is based on the idea of functionally integrated urban regions, including one or several large cities and their relatively wide-sweeping sub- and exurban areas. Territorially, they are comprised of a multitude of municipalities and counties (as forms of local government) working together to improve regional development (cf. Blotevogel 2005, Knieling & Matern 2009). Their extent and institutional structures are largely determined and organized from below, rather than imposed from above, which explains the notable diversity of forms of metropolitan governance among them.

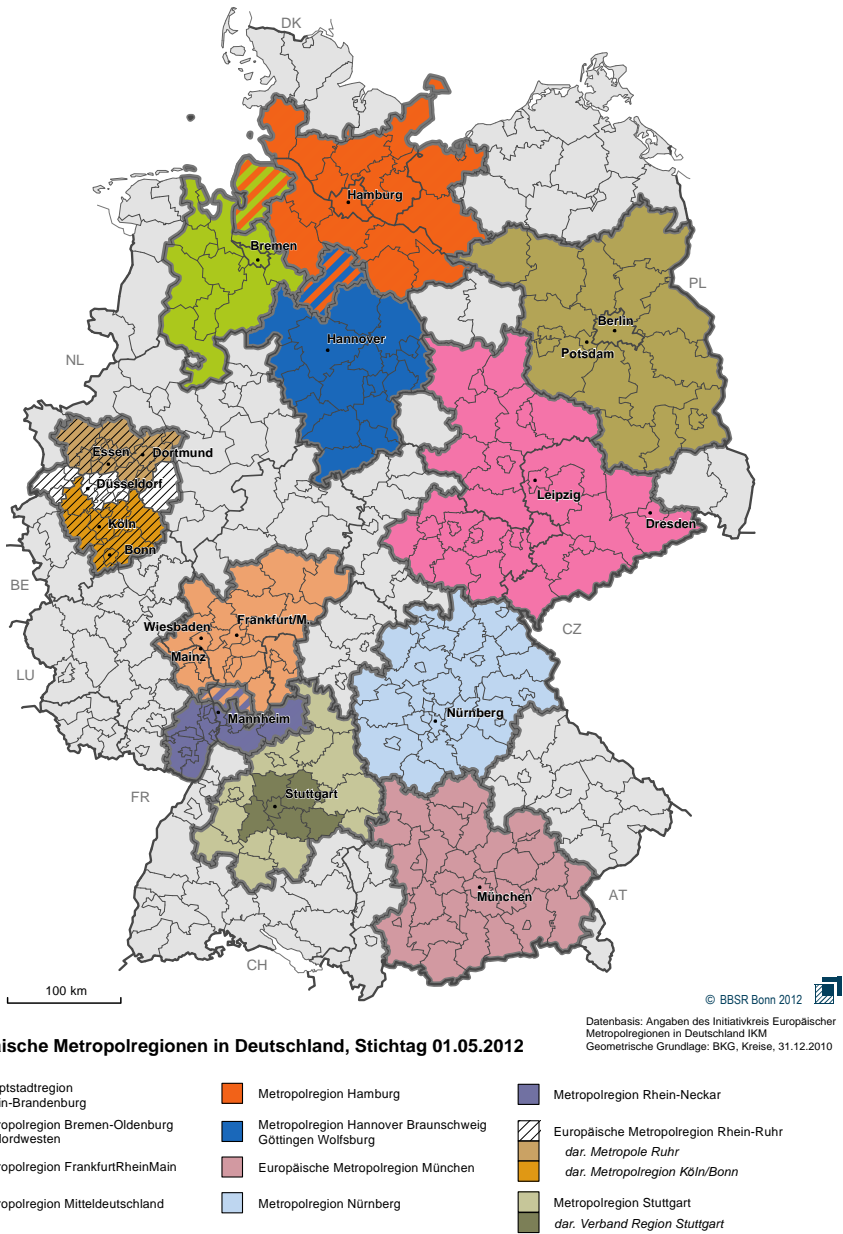


Figure 1- Official Metropolitan Regions in Germany. Source (Bundesinstitut für Bau-, Stadt- und Raumforschung/ Initiativkreis Metropolregionen 2012:7)

There is no clear or universal definition of metropolitan or regional governance. In Germany the term is generally considered to describe a form of regional self-regulation with the object of improving regional development. It usually implies network-based structures of cooperation among a multitude of stakeholders and thus a largely voluntary form of cooperation. Metropolitan governance tends not to be designed in a formal or clearly democratic process, however it is based on a fixed system of rules (Fürst 2003, Benz 2001). It refers to cooperation of stakeholders of different sectors operating on different spatial scales and involving complex structures of planning and coordination. Cooperation extends beyond individual projects or problems and is carried out by certain functional units of organization (Fürst & Benz 2003). The concept of metropolitan governance thus alludes to the regional governance of Metropolitan Regions in Germany (Knieling & Blatter 2009).

It is possible to analytically distinguish two types of institutionalization of regional or metropolitan governance, based on their degree or stringency of institutionalization. The “hard” form of metropolitan governance implies a regional institution or organization with some form of political legitimacy. In most cases this would be a public corporation with its own (more or less large) organizational infrastructure and financial resources. Such “hard” institutionalization is necessary if the regional institution is formally given certain tasks and authorities of government, e.g. as a regional planning authority. “Weak” forms of metropolitan governance are based on more or less formalized networks of stakeholders. They tend to be characterized by a minimum of institutionalization, including basic systems of regulation and the existence of some organizational core unit with administrative functions. Such weak forms of metropolitan governance may be sufficient for the fulfillment of voluntary, rather than state-authorized tasks of regional development (Knieling & Blatter 2009, Benz & Fürst 2003). German Metropolitan Regions show a great variety of institutional designs, spanning from very weak forms of metropolitan governance to hard forms with a regional planning association as an organizational core (cf. Fürst 2001, Knieling & Blatter 2009).

The Metropolitan Region of Nuremberg covers 34 cities and counties, including the municipalities of Nuremberg, Fürth and Erlangen. It shows a relatively weak form of institutionalization based mainly on network

structures of a rather informal nature, having assumed some voluntary tasks of regional development. The institutional design of metropolitan governance in Nuremberg is based on three pillars: Firstly, as a democratic core, the so-called council is comprised of political representatives of all municipalities within the Metropolitan Region. Secondly, companies operating in the region have founded an association in civil law in 2013 with the aim of promoting the region and strengthening its competitiveness. Together with the council of municipal representatives, this association decides on strategies and strategic projects for the Metropolitan Region. Thirdly, seven thematic working groups have been formed in which stakeholders from different sectors work together to enhance regional development, e.g. by generating project ideas. A secretariat forms a small organizational core that has assumed the administrative functions of metropolitan governance and coordinates the activities of the various institutions within the Metropolitan Region. Furthermore, this secretariat develops conceptual strategies and has taken over some specific operational tasks such as regional marketing. In general, the institutionalized metropolitan governance of the Metropolitan Region of Nuremberg has very limited operational capacities. Until 2013 its budget had been small, being mainly paid by the regional administrative districts (a regional level of the state government not coincidental with the Metropolitan Region) whose territories form the Metropolitan Region. With its establishment in 2013, the above-mentioned business association has also started to contribute financially to the Metropolitan Region, thus extending its resources for realizing projects. However, metropolitan governance in Nuremberg is still heavily dependent on the commitment of individual stakeholders (Albert & Theobald 2012. Europäische Metropolregion Nürnberg).

The Metropolitan Region Rhein-Neckar, covering 15 cities and counties around Mannheim, Heidelberg and Ludwigshafen, shows one of the hardest forms of regional governance among all Metropolitan Regions in Germany. This “hard” institutionalization implies that the Metropolitan Region has been assigned competencies and tasks well beyond voluntary cooperation for regional development; most notably, it has been assigned the statutory government powers for regional planning. The institutional design of metropolitan governance is based on three key organizations: Firstly, a regional planning association forms a democratically legitimized core,

controlled by political representatives of the member municipalities. Secondly, an association by civil law includes many important stakeholders from different sectors of society, e.g. politics, business and science, and supports regional and non-profit initiatives. This association, together with the above-mentioned regional planning association, acts as a strategic platform for regional development. Thirdly, a limited liability company has been founded to act as a centralized operational unit. It coordinates thematic networks and working groups and carries out projects and measures of regional development. This limited liability company is co-owned by local governments and key regional enterprises that contribute most of its financial resources. These big regional enterprises, especially the chemical giant BASF SE, also played a crucial role in the foundation of the Metropolitan Region. Thanks to the strong financial commitment of these regional enterprises regional governance in Rhein-Neckar has considerable financial resources and a powerful, well-staffed operational unit (Zimmermann 2012, Metropolregion Rhein-Neckar).

## **Securing an adequate supply of skilled labor in the Metropolitan Regions of Nuremberg and Rhein-Neckar**

When public and private stakeholders in Nuremberg and Rhein-Neckar organized to achieve Metropolitan Region status, both were primarily concerned with improving their regional image and enhancing their international profile and visibility. Since the economic crises of 2008/2009, however, the issue of providing an adequate supply of skilled labor has become a very important element of regional development strategies in both regions. Certainly, there had already been rather well-established tendencies of regional cooperation on labor market issues in the Metropolitan Region Rhein-Neckar before 2009. Similarly, some regional networks dealing with the issue of skilled labor had been founded in the Metropolitan Region of Nuremberg before 2009. Nevertheless, Nuremberg and Rhein-Neckar have adopted very different approaches to the skilled labor issue and regarding the role Metropolitan Governance institutions in the process. This is due to their differing structures and institutional design of metropolitan governance as well as their different histories of regional cooperation.

In the Nuremberg region the institutions of the Metropolitan Region have generally played only a very minor role in dealing with this issue. This is a consequence of the particular institutional design of metropolitan governance with its very small operational unit, but it also follows from the main principles of cooperation within this region stressing the idea of subsidiarity. Therefore, the Metropolitan Region, mainly in the shape of the secretariat, has played a direct and active role only in two areas: firstly, in terms of marketing the region in general, and secondly, in setting up a homepage providing information about the region which might be important for potential migrants, such as job vacancies or schooling opportunities. Furthermore, the secretariat has had a direct role in implementing some labor force qualification projects funded by the European Union and the state of Bavaria. However, the lion share of activities somehow dealing with the skilled labor issue has been undertaken by largely voluntary cooperative networks operating in the region. Most of these networks primarily aim at sharing knowledge, but they also put forward joint projects, driven by interested members of the network. Accordingly, the work of these networks is dependent on the commitment of important stakeholders within the region, while the institutions of the Metropolitan Region only provide background support. However, the institutional level has served as a communication platform and has helped to establish contact with other stakeholders within the region.

Due to the limited role of the institutions of the Nuremberg Metropolitan Region, those stakeholders most strongly interested or in need of action have had to become proactive on their own account, networking, initiating activities and realizing projects. This means that only those projects are realized which promise to be directly beneficial to participating stakeholders. Such an approach helps to respect the principle of subsidiarity so that the Metropolitan Region does not interfere with municipal activities and competences, and that joint regional projects have to be of use to all municipalities. Furthermore, the more informal network structures facilitate the participation of stakeholders from very different sectors and of different spatial scales. On the downside, however, this institutional design with its very limited role of the Metropolitan Region and the leading role of individual stakeholders causes a certain lack of democratic legitimacy and neutrality. This is due to those stakeholders involved in or leading such



networking activities primarily representing certain and partial interests and thus lack legitimacy and authority to work for and on behalf of the entire Metropolitan Region. Moreover, the lack of direct importance of the institutions of the Metropolitan Region for the functioning of thematic networks leaves the latter dependent on the commitment (financial and otherwise) of individual stakeholders and interests, so these networks can be unstable and inconsistent. Furthermore, it makes cost-intensive projects of a general nature more difficult to establish and finance, e.g., for purposes of joint regional marketing or for international recruitment campaigns.

In contrast to the Metropolitan Region of Nuremberg, the institutional design of regional governance in Rhein-Neckar has led to a far more direct role of the Metropolitan Region's institutions and also to a more top-down approach to dealing with the skilled labor issue. The institutions of metropolitan governance have not only realized large regional marketing campaigns and set up a homepage geared towards people interested in moving to Rhein-Neckar. They have also played a crucial role in organizing big information events as well as initiating and conducting a great number of projects to provide skilled labor for particular municipalities or enterprises. Additionally, the institutions of the Metropolitan Region have also played a significant role in supporting the numerous regional networks and working groups dealing with the skilled labor issue. Staff has been made available for administrative support of such networks and for their public relations needs. The general strategy is to bring together and coordinate all skilled labor-related activities and networks under the institutional roof of the Metropolitan Region.

Hence, the institutional design of metropolitan governance in Rhein-Neckar with its large operational capacities enables the Metropolitan Region to initiate and realize more cost-intensive projects, e.g., in the field of regional marketing, while it also allows for stronger support given to networks for their administrative and public relations needs. Furthermore, the strong role of metropolitan institutions for the functioning of the networks ensures these to be more sustainable while also providing them with more neutrality and legitimacy in terms of working for the entire region, and it allows for some central coordination of networks and working groups. Additionally, due to the Metropolitan Region's status as a regional planning association (i.e., it being a public corporation) it can apply for

national and European development programs in its own right, e.g., for labor market or qualification/training projects. Moreover, since both issues are dealt with in-house, regional planning and regional economic development can be much better and more closely coordinated. On the downside, however, the strong role of the Metropolitan Region and the almost inevitable top-down approach that goes along with it make it much harder for individual stakeholders to get access to working groups and networks. Hence, the needs of individual municipalities or stakeholders regarding the skilled labor issue are not necessarily being fully reflected in the operational work of the Metropolitan Region, and various counties' lack of knowledge about regional activities in this field reveal a certain lack of transparency. Furthermore, the significant financial support of the bigger enterprises for the Metropolitan Region means that a number of projects are primarily designed for their specific needs rather than the region at large.

### **The role of regional governance in ensuring a (future) supply of skilled labor**

From the empirical evidence from these two examples it becomes evident that metropolitan governance, quite independent of its particular institutional design, has an important function in dealing with the skilled labor issue. The institutional infrastructure helps to bring together important stakeholders, to coordinate networks and initiatives and to facilitate intraregional exchange. All these aspects are important for tackling the issue of an adequate supply of skilled labor, as this is a highly cross-sectional issue and challenge which requires the collaboration of diverse stakeholders from different sectors and spatial scales. In this context metropolitan governance can function as a neutral scale of governance, reducing intraregional conflicts and developing joint strategies and measures for common problems. Metropolitan governance can also play an important role in making stakeholders and businesses more aware of this issue, as the Metropolitan Region is a highly visible player within the region.

It also emerges that the particular institutional design of regional governance is significant for determining what can actually be done to tackle the skilled labor issue. An institutional design that provides for more than

just a very weak form of governance or pure networking and which develops certain operational and administrative capacities can indeed increase the regional ability to deal with the skilled labor issue. Firstly, “harder” forms of governance can help to provide administrative and public relations support for thematic networks within the region and thus make such networks more stable as well as more democratically legitimate. Secondly, greater operational capacities also improve the coordination of regional networks and initiatives within the Metropolitan Region and improve the cooperation of diverse stakeholders. Thirdly, a “harder” institutional design with more extensive financial resources contributes to the implementation of more cost-intensive projects for the whole region, which may address important problems of most stakeholders. This concerns mainly problems of regional marketing and of regional image improvements in order for the region to appear attractive for potential high-skilled in-migrants – including internet-based information services, recruitment campaigns or the representation of the region at international fairs or exhibitions. To increase the financial resources and thus operational capacities of metropolitan governance, it is important to include and integrate regional enterprises into the institutional governance design. In general, the existence of a public corporation as one institutional element of regional governance helps in the acquisition of funds from European Union and national development programs.

However, the degree of formalization of governance structures and the range of operational capacities do not directly correlate with the effectiveness of regional governance in tackling the skilled labor issue. This is because, firstly, the skilled labor issue is far too extensive to be completely handled at the regional level where it would overstrain any operational capacities and financial resources. Secondly, for various aspects of the skilled labor issue common regional approaches or solutions do not make sense due to sometimes considerable intraregional differences when it comes to economic structures and labor problems. Therefore, a common regional approach is more difficult in big and heterogeneous Metropolitan Region, and for numerous aspects of the skilled labor issue more informal, network-based forms of cooperation are sufficient and more effective. Furthermore, such “weaker” forms of governance help ensure that only such projects are being realized that respect the principle of subsidiarity and which stakeholders consider so vital that they are willing to actively carry them

forward, especially where small and medium-sized enterprises are concerned.

## Conclusions

As the empirical evidence from the Metropolitan Regions of Nuremberg and Rhein-Neckar has shown, the regional level and regional governance arrangements are crucial factors for dealing with skilled labor issue as an increasingly important element of regional economic development. Tackling this issue at the regional scale and through regional governance arrangements is appropriate due to the cross-sectional character of this issue and since it allows for an inclusion of all important stakeholders operating at different spatial scales within the region. The specific institutional design of metropolitan governance can form a highly significant factor in explaining the capacity to act on this issue. More formal regional governance arrangements with stronger operational capacities increase this capacity. However, not every aspect of securing an adequate supply of skilled labor requires common regional strategies or measures and a strong degree of formal institutionalization with sizable operational capacities. Hence, institutional design of metropolitan governance has to be flexibly adapted to the specific aspects and measures required to provide an adequate supply of skilled labor as well as to the structures and sizes of metropolitan regions concerned.

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