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TRENDS OF ECONOMIC DEVELOPMENT OF WARSAW AND THEIR SPATIAL IMPLICATIONS

Abstract: The article presents trends of change in Warsaw's economic structure and their influence upon the formation of the city's functional and spatial structure. Using the latest data on the employment structure and kinds of economic entities and their distribution, an attempt has also been made to determine the degree of absorption of the city economy by pro-development activities. On the basis of experiences of other European cities activity types indicating the existence of development trends in the city economy (pro-development activities) were chosen. Next, changes in the number of economic entities in these areas in 1988-2004 were analyzed. Research on the distribution of economic entities in Warsaw is based upon data from the REGON register.

Key words: Warsaw, economic development, economic structure, distribution of economic entities.

TRENDS OF ECONOMIC DEVELOPMENT

The main conditions for Warsaw's economic development are related to the function of the national capital, the dominant position of the city among other large urban centers in the region and the country (stemming from the socio-economic potential) as well as the convenient geographic location (potentially good transport accessibility). The structure of the job market and its changes make up indices which assist in characterizing directions of the city's economic growth, especially in the services sector. Participation in the structure of the innovation activities economy, related to information processing and transfer of knowledge to firms localized in the job market, served as an index of the pro-development orientation of the economy. In the development of the contemporary job markets three future oriented work categories (employees) are distinguished (Reich 996)[1]. They are routine production services, personal services and symbolic-analytic services.

[1] R. Reich, 1996, *Praca narodów. Przygotowanie do kapitalizmu XXI wieku* [The Work of Nations: Preparing Ourselves for 21st-Century Capitalism; in Polish], Wydawnictwo Adam Marszałek.,Toruń.

The first group comprises traditional labour, the second group also comprises simple and repeatable tasks provision of which is based on direct contact between the service provider and the consumer. The third, the most pro-development service category (the symbolic-analytic services) comprises all activities related to solving problems and the strategic organization of economic activities, also including consulting. This group of analytical activities (creation, processing and exchange of information) is the most quickly growing segment among future occupations.

In Warsaw, in 1994-2004, besides the marginal participation of the agrarian sector (0.3-0.5%), the relation between the production and services sectors underwent a clear transformation. The number employed in the industrial sector diminished from 220 thousand employed in 1994 to the level of 144.4 thousand in 2004. Taking that the number of jobs in industry and construction in 1994 was 100, this index decreased in 2004 to 65. Next, the services sector observed a continuous growth of the number of employees, from 481 thousand in 1994 to the level of 597 thousand in 2004.Thus, the number employed in services increased during that that time by 24%. From 1992 to 2004, job profiles visibly shifted direction from the industrial sector (a decrease from 32% to 19%) to the services sector (an increase from 68% to 80%).[2]

Despite a certain structural backwardness which is the result of a centrally planned economy in a socialist country, the economy of Warsaw is undergoing a dynamic transformation. In consequence, the deindustrialization of Warsaw is taking place the proof of which is the systematic decrease of the role of industrial processing (section D) in the municipal economy. Besides this, a particularly visible development trend is observed in the field of market services. This gives testimony to the fact that Warsaw is realizing an important role of a growth pole.

From the beginning of the ninth decade of the passed century an increase in the share of market services (to the level of 74% of the entire services sector in 2004) is visible in Warsaw. This is a level comparable to that which may be observed in Vienna or Prague. In Warsaw, the percentage of workers employed in this group gradually grows.

The structure of the services sector, analyzed according to individual sectors of economic activities, bears testimony to the specific situation of the metropolitan job market. In Warsaw, an outnumbering of jobs in sections related to retail and wholesale commerce (about 1/5 of those employed in services) and in real estate services and institution oriented services may be observed (1/6-1/5 of the services sector) (Tab. 1.)

The third section in which most new jobs are created comprises transport, storehouse and communication activities.

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[2] *Roczniki statystyczne Warszawy*, WUS, Bank Danych Regionalnych GUS.[Warsaw Statistical Yearbooks, WUS, Regional Data Bank, Central Office of Statistics (GUS)].

Table 1.
Structure of the services sector in Warsaw in 1995 and 2003 (in %)

Services sector	1995	2003
Trade and repairs (G)	21,7	20,8
Hotels and restaurants (H)	3,1	3,1
Transport, storehouses and communications (I)	11,3	12,4
Financial intermediary (J)	7,6	10,0
Real estate and institutional; education (K)	17,8	21,5
Public administration and national defense(L)	8,0	10,0
Education (M)	10,3	10,5
Heath protection and social care (N)	11,9	7,0
Remaining services (O)	8,3	5,4
Total	*100,0*	*100,0*

Source: *Warsaw Statistical Yearbooks*, WUS, Regional Data Bank, Central Office of Statistics (GUS).

At the end of the last decade of the XXth century and at the beginning of the new millennium it was possible to observe certain tendencies to change this structure. In Warsaw, among activities which underwent a relative strengthening, may be included financial intermediary services (activities rendered by banks and insurance companies), real estate and institutional services (consulting, accounting, legal and other services) and public administration. The role of health protection and remaining services (municipal, personal) decreased the most (Tab.1).

During the last years of the past decade, a growth trend of Warsaw's role in the national job market in industry as well as in almost every service sector, besides remaining services (also municipal and personal), became visible. Calculation of a simple location quotient indicates that Warsaw offers significantly more services (than results from the needs of the local environment) in such areas as financial intermediary services, real estate and institutional services, transport and communications and remaining services. On the basis of examples of quotients for sectors comprising public administration and national defense also clearly visible is the influence of the function of the capital city on the economic structure. Warsaw is also a city which is less dependent on industry.

Economic changes related to the return to market economy in Poland led to significant changes in the economic structure of Warsaw. Changes affected many economic sectors. The most visible limitations, however, took place in industrial processing (section D).The scale of production diminished and in effect no new jobs were created in this section. Certain cooperation ties with the region and the more distant external environment which may have potentially threatened certain services aimed at clients from a specific segment in the production sector.

During the discussed timeframe, in the services sector, there was a significant decrease of dynamics of growth of the financial intermediary services sector. Such organizational changes in capital institutions as, for example, bank mergers and implementation of new technologies do not create new jobs. Up to 1997, financial intermediary services were characterized by slow growth of entity numbers. During 1997-1999, a greater than before increase in the number of entities (insurance) was noted. Consecutive National Bank of Poland reports (including the 2003 Report) bear testimony to a certain market saturation by showing a systematic employment decrease in the national banking sector.

Section K behaves in a different manner. Entities dedicated to real estate, rental, education, services related to economic activities are characterized by a high dynamic growth and a continuous development trend. It is important for the city because of taxes, jobs, prestige, continuous contacts with clients and therefore, the creation of economic interrelations. This is a strong factor stimulating growth.

Similarly, the remaining municipal and individual services indicate a great development dynamics. There still are potential possibilities for growth of the number of enterprises (jobs), for example, in the area of personal services.

SPATIAL DISTRIBUTION OF ECONOMIC ACTIVITIES

Spatial structure of economic activities in Warsaw is decidedly diversified. Most economic entities are located on the left bank of the Vistula River, on the north-south axis and to a lesser degree, on the east-west axis. The greatest number of entities is in the Śródmieście (city center) district, followed by the Mokotów and Praga Południe districts. Numerous are also located in the Zoliborz, Wola and Ochota districts. In districts located on the right bank, with the exception of Praga Północ and Praga Południe, the number of entities per 1 km^2 is much smaller. On the left bank, smaller values for this indicator were achieved in the Bielany, Wilanów and Włochy districts. Such diversity is the result of several phenomena. In the case of production it is the consequence of outlining city function zones at an earlier stage of its development. In the case of a group of entities carrying out service oriented activities, one of the most important location factors is aiming at having the company office as close as possible to the potential clients. In the case of services such as legal council a significant element of the location is an appropriate image of the district, street and office. Thus, numerous law offices are located in the Śródmieście and Mokotów districts. (Fig. 1). Distribution of entities rendering services to the entire population stems from historical factors as well as from the representative character of Śródmieście and Mokotów.

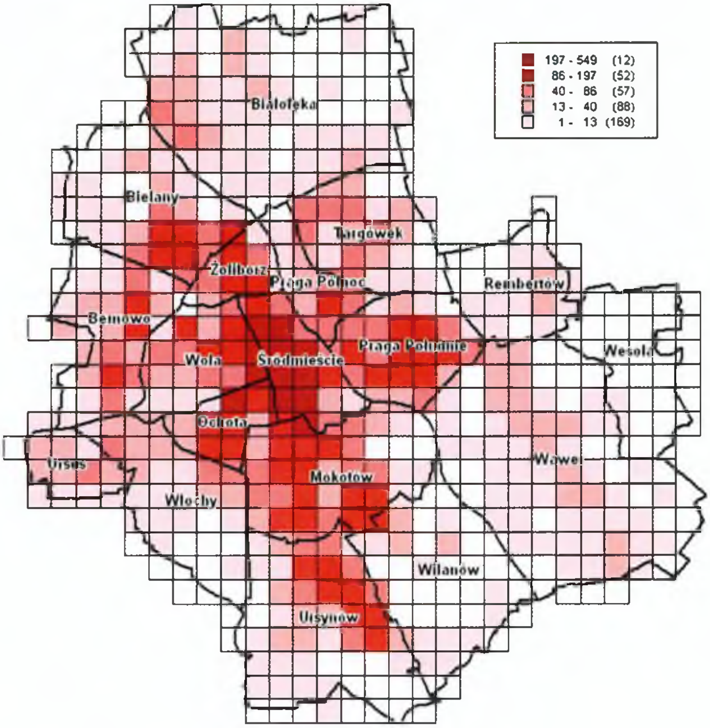

Fig. 1. Legal services – distribution of entities in Warsaw in 2004 (Number of entities/1km²)

Source: Own elaboration

In the case of several entity categories a smaller interrelation between the conducted activity and the selection of a location for rendering it may be observed. This especially concerns entities in section K – services related to economic activities and educational institutions. Besides a comparative density in the centres of internal districts, a relatively equal distribution of these entities in the remaining parts of the city should be emphasized. This may be justified by the specificity of the entity categories which may conduct their activities at home through the telephone and computer networks (telework). The obtained result may also be the effect of localizing new entities outside the city centers, in places allowing for reduction of office space outlays. In Warsaw, the most numerous are entities in section K. Within this sector there also are the greatest density factor values, i.e. up to 549 entities/km². This is the result of the specificity of this sector. Majority of the entities are individuals conducting economic activities.

In view of the above, Warsaw may be distinguished by two fundamental kinds of distribution of economic entities, i.e. concentric and radiant-central. The concentric type is distinguished by a gradual decrease of the number of entities per 1 km^2 together with the distance from the city centre. This distribution type is represented by hotels, insurance companies, services rendered to all citizens, commercial institutions, employers and professional organizations. In this case, localization factors related to representative values of the city dominate. The radiant-central distribution is distinguished by the presence of entities closely related to the most important communication routes and their concentration in several points of the city. In the case of several activity categories their distribution may be recognized as being multi-central. Such is the case with institutions of higher learning, vehicle production or extraterritorial teams.

In the distribution of entities in Warsaw the Śródmieście district is clearly distinguished. Trends to locate economic activities near the most important communication arteries are also visible. Such a role is not played, as yet, by the Okęcie Airport. In many activity categories the decrease of the number of entities together with the distance from the city center may be observed. It is emphasized, however, especially in the case of activities not requiring constant contact with a client, by the tendency to locate enterprises far from the city center. For the most part, they are located within vicinity of the home of the service provider. Because there is a strong interrelation between the location of entities rendering services on behalf of institutions and their clients the phenomenon of migration of these entities from the city centre to external districts is probable. In such a case, unless other institutions such as international organizations or national administration will not expand their activities, the role of the Śródmieście district will be becoming less significant.

The location of production, to a large extent, is determined by planning assumptions made prior to 1990.However, changes in activity structures are beginning to take place and other companies enter into postindustrial facilities. An example of such succession is the change in the development of a stretch of Kasprzak street in the Wola district.

CONCLUSIONS

For the last dozen or so years, Warsaw has been following an economic development path identical to paths characteristic for other European metropolitan cities. Pro-development activities are characterised by the greatest growth dynamics, with the one change, however, that one of them, i.e. industrial processing (section D) is regressing. In case of the remaining activities, the stability of development trends, i.e. the annual growth of new economic entities is characteristic.

Changes in the economic structure of Warsaw, for the most part, stem from the specificity of the city, i.e. its role in the national economy, position in the settlement layout, the status of capital city. To a large extent, these changes were spontaneous and were not a result of planning.

The distribution of economic entities throughout urban space is the result of the already existing spatial structure of the economy as well as activities of the local authorities, i.e. district and borough (gmina) authorities prior to the implementation in Warsaw of the new political system in 2002.

In city spatial layout, the dominance of left bank Warsaw and parts of the city centre are visible in distribution of economic entities. It may be assumed that locating new economic entities on Warsaw's right bank will be selective. Prestige and reputation, in view of the current city spatial planning, for a long time will remain the attributes of left bank Warsaw.

Services rendered to the inhabitants usually „travel" with them, are located near the client. At the same time, a strong tendency to locate different types of activities along communication routes is to be observed.

Migration movements into Warsaw will stimulate the maintenance of the current level of development. Due to these trends, it may be assumed that, within the next few years, highly educated people or those endowed with highly specialized skills will dominate among the migrants.

English translation: Małgorzata Miłaszewska