



Riga as a creative knowledge city

**The views of high-skilled employees, managers
and transnational migrants**

ACRE report 8.9



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Accommodating Creative Knowledge – Competitiveness of European Metropolitan
Regions within the Enlarged Union

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ACRE

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EXECUTIVE SUMMARY

This report is part of a pan-European project aiming at exploring the impact and potential of the emerging creative and knowledge-based economic activities on the economic development and hence the competitiveness of several metropolitan regions in the European Union. The ACRE (Accommodating Creative Knowledge – Competitiveness of European Metropolitan Regions within the Enlarged Union) project involves 13 metropolitan areas in the ‘old’ as well as the ‘new’ EU countries. Riga is, through the participation of the Stockholm School of Economics in Riga, one of the metropolitan areas participating in the project.

The ACRE project recognises creativity as one of the important factors for economic and urban development of metropolitan areas. Hence, in addition to ‘traditional factors’ (such as, e.g. geographic location, economic structure, specialisation, mode of production and scale), creativity as such and a creative environment are both supposed to play an important role for the economic development and competitiveness of metropolitan areas as well as for a metropolitan area’s potential to become a centre of creativity, knowledge and innovation.

This paper analyses Riga’s potential as a creative city attracting what Florida (2002) calls the “creative people” or the “creative class” – persons who are believed to be a driving force for economic growth in the high-value added sectors of the economy. In the ACRE project focus is on employees, graduates, managers and transnational migrants active in a sub-set of the creative and knowledge-based industries.

The underlying hypothesis of this report, as well as the previous four ones written within the ACRE project, is the notion of soft factors (in addition to hard factors) and the role they play for people as well as businesses active in the creative and knowledge-based sectors when deciding where to locate. The idea, put forward by Richard Florida among others, see e.g. Florida (2002a, 2002b), implies that a city or metropolitan area which has a good combination of hard (e.g. infrastructure, taxes and the presence of skilled labour) and soft factors (e.g. atmosphere, geographical location, tolerance and social cohesion) will attract creative and high skilled people as well as creative and knowledge-based businesses, or in the words of Florida (2002a, p 249):

Regional economic growth is powered by creative people, who prefer places that are diverse, tolerant and open to new ideas. Diversity increases the odds that a place will attract different types of creative people with different skill sets and ideas. Places with diverse mixes of creative people are more likely to generate new combinations. Furthermore, diversity and concentration work together to speed the flow of knowledge. Greater and more diverse concentrations of creative capital in turn lead to higher rates of innovation, high-technology business formation, job generation and economic growth.

Within this context, the current report synthesises the findings of the research on Riga within the ACRE project. In addition to the role played by hard and soft factors, the analysis pays particular attention to the role of so called personal trajectories – both at the individual and company level (through the managers) when it comes to the decision where to move or where to locate a business. Examples of personal trajectories include: being born or growing up in Riga; studies in Riga; family-related reasons; previous experience of Riga.

In the following the findings with respect to hard and soft factors and their roles as attraction and retention factors are discussed. In the terminology of the discussion, pull and push factors are used as well. Pull factors refer to factors that attract people and businesses whereas push factors discourage attraction and retention among people as well as businesses.

As for the role of the hard factors, the findings could be summarised as follows:

- The labour market is an important attractor – in most cases the most important attractor. It is also a retention factor.
- For graduates who went to Riga for studies, the labour market serves as a retaining factor.
- There are close links between the labour market (of the creative and knowledge-based sectors) and the educational sphere.
- The size of Riga is appreciated and serves as a main attractor to all target groups. To employees and graduates the city’s “big” size is appreciated, whereas to the transnational migrants the city’s “small” size and the fact that it is compact are appreciated features.
- The proximity to the nature is important – this serves as a retention factor in particular to transnational migrants.
- Riga’s international airport and the high number of direct flights are both perceived as important factors to transnational migrants and managers alike. To transnational migrants it is more of a retaining factor, whereas to the managers it is more of an attractor.
- The infrastructure (with the exception of the airport) is rated low by all groups and could be considered as a push factor.
- The social infrastructure might act as a push factor for employees, graduates and transnational migrants alike.
- The Latvian red tape and bureaucracy definitely serves as a push factor – both for companies and transnational migrants.

The findings with respect to the soft factors could be summarised as follows:

- For graduates the cultural diversity and the diversity of leisure and entertainment act both as attraction and retention factors.
- For transnational migrants the cultural diversity and the diversity of leisure and entertainment act as a retaining factor.
- The lack of tolerance and the negative attitude towards diversity act as factors that discourage attraction and retention.

- The attitude towards foreigners makes it less attractive for transnational migrants to prolong the stay in Riga.
- The attitude towards foreigners also makes it less attractive to migrate to Riga – in particular when combined with the bureaucratic hurdles facing non-EU transnational migrants.
- The prevalent business culture in Latvia discourages attraction and retention.
- To Latvians the city atmosphere and the quality of life in Riga could be considered as attraction factors as well as retention factors.
- To transnational migrants the city atmosphere and quality of life serve merely as a retention factor. The simple reason for why these aspects do not serve as attraction factors seems to be that very few transnational migrants were aware of these virtues prior to moving to Riga.

Hence, the push factors belong to a large extent to the group of soft factors. In many cases these are soft factors that could be seen as still being influenced by the heritage of the close to 50 years of Soviet occupation of Latvia – examples include corruption and intolerance towards minorities.

When it comes to the role of personal trajectories, the research within the ACRE project showed that the role of personal trajectories play a (surprisingly) big role when it comes to the decision where to locate (both as an individual and as a business), i.e. as an attractor. This holds for employees, graduates and managers as well as for the transnational migrants. To the employees, graduates and managers the fact they were born/grew up/went to Riga for studies played an important role in the decision where to locate. To the transnational migrants, on the other hand, family/marriage served as an important attractor.

One implication of the findings when it comes to the important role of personal trajectories is that previous experience of a geographical location might place a decisive role when it comes to deciding where to locate or where to establish a business. Given the European Union's various measures to increase mobility as well as taking away barriers restricting mobility, it seem reasonable to assume that the importance of personal trajectories might increase over time.

The findings of this report also have a bearing on the policies undertaken by the Riga City Council to promote and to develop Riga. The 2005 Long Term Development Plan envisages Riga in 2025 as city that could be characterised in the following way:

- A well-educated, skilful, and culture respecting society;
- An economy based on the East-to-West link;
- High quality living in urban neighbourhoods;
- An economy where the high added value industries and creative industries play an important role.

When confronted with this vision, the ACRE research reveals that Riga has a number of challenges ahead in order to achieve the 2025 vision. Many of these challenges are related to the soft factors and their role as push rather than pull factors as discussed above. To the policy makers this is troublesome since it is in most cases “easier” (or at least “less difficult”) to change hard factors. Soft factors such as tolerance, business practices and corruption, i.e. factors where Riga score low cannot be changed over night through various policy measures.

From the discussion of the soft factors above, it is seen that many of the soft factors (merely) work as retention factors. However, this provides the policy makers with an opportunity since were the soft factors and their virtues better communicated, their role as attraction factors would probably increase. In other words the potential provided by the soft factors should be exploited by the policy makers – both as attraction and retention factors.

Finally, from an academic point of view, the research has shown that the personal trajectories probably play a more important role than originally expected whereas the role of soft factors as attraction factors seems to be less than expected, i.e. to some extent contradicting the findings put forward by Richard Florida among others. However, the current findings are extremely preliminary and deserve further investigation. In this context the report provides a number of hypotheses that deserve further investigation:

- Hard factors play a pivotal role when it comes to the individual creative or knowledge-based worker’s decision where to locate.
- Personal factors/trajectories are more important than soft factors (cf. Florida’s discussion).
- Soft factors are less of attraction factors and more of retention factors.
- Personal trajectories play an important role.
- The increased importance of personal trajectories has resulted in: (a) an increased heterogeneity among the transnational migrants; (b) a tendency to stay longer or even permanently in the foreign country.

1.1 Introduction

This report is part of a pan-European project aiming at exploring the impact and potential of the emerging creative and knowledge-based economic activities on the economic development and hence the competitiveness of several metropolitan regions in the European Union. The ACRE (Accommodating Creative Knowledge Competitiveness of European Metropolitan Regions within the Enlarged Union) project involves thirteen metropolitan areas in the ‘old’ as well as the ‘new’ European Union countries. Riga is, through the participation of the Stockholm School of Economics in Riga, one of the metropolitan areas in the project.

The ACRE project recognises creativity as one of the important factors for economic and urban development of metropolitan areas. In addition to ‘traditional factors’ (e.g. geographic location, economic structure, specialisation, mode of production and scale), creativity as such and a creative environment are both supposed to play an important role for the economic development and competitiveness of metropolitan areas as well as for the metropolitan area’s potential to become a centre of creativity, knowledge and innovation.

The current report is focussed on synthesising the findings of the previous reports on Riga written within the ACRE project. Each of these reports examined a distinct facet of metropolitan area’s creative and knowledge-based economy: *(i)* employees of the creative and knowledge-based sectors; *(ii)* creative and knowledge-based companies; *(iii)* transnational migrants active in the creative and knowledge-based sectors.

The objective of this report is twofold. Firstly to analyse and discuss the relative importance of hard and soft factors to the groups discussed above when it comes to choosing a location for economic activity. Secondly, based on this analysis to synthesise the findings of the ACRE research on Riga in order to provide comparable results across the metropolitan areas involved in the project. These results will serve as input to final ACRE report, which will follow this report.

1.2 Previous research

This report is the fifth report on Riga written within the ACRE project. The underlying hypothesis of this report, as well as the previous four ones, is the notion of soft factors (in addition to hard factors) playing an import role for people as well as businesses when deciding where to locate. This idea, put forward by Richard Florida among others, see e.g. Florida (2002a, 2002b), implies that a city or metropolitan area which has a good combination of hard (e.g. infrastructure, taxes and the presence of skilled labour) and soft factors (e.g.

atmosphere, geographical location, tolerance and social cohesion) will attract creative and high skilled people as well as creative and knowledge-based businesses, or in the words of Florida (2002a, p 249):

Regional economic growth is powered by creative people, who prefer places that are diverse, tolerant and open to new ideas. Diversity increases the odds that a place will attract different types of creative people with different skill sets and ideas. Places with diverse mixes of creative people are more likely to generate new combinations. Furthermore, diversity and concentration work together to speed the flow of knowledge. Greater and more diverse concentrations of creative capital in turn lead to higher rates of innovation, high-technology business formation, job generation and economic growth.

Within this context, the first report focussed on the pathways to a creative and knowledge-based metropolitan area analysing Riga's historical development paths as well as providing an analysis of the city as a creative and knowledge-based metropolitan area using aggregated statistical data. The three reports following focussed on Riga as an attractor for employees, managers and international migrants active in the knowledge-based/knowledge-intensive and creative sectors.

The first of these three reports addressed Riga's potential as an attractive metropolitan area where to live and work. The report was built around a survey of around 250 persons in the creative and knowledge-based sectors. The questionnaire was structured along three dimensions:

- Satisfaction with the city as such;
- Satisfaction with the job and work environment;
- Satisfaction with the neighbourhood and dwelling.

The main findings from the aggregated data generated by the survey were that in general the respondents painted a relatively rosy picture of Riga as a city in which to live and work. In general there was a (very) high level of satisfaction with the city as such, as well as the job and work environment. The latter goes for the neighbourhood and dwelling situation as well. However, there were naturally exceptions where the respondents were not satisfied with the current situation. These areas included:

- Traffic and public transportation (including air and noise pollution);
- Social services such as social security, healthcare, and childcare;
- Social problems including crime, safety and drugs;
- Tolerance.

The survey also revealed that in general the transnational migrants were more positive/less negative than the Latvians taking part in the survey. Whereas the research of this report was quantitative in its nature, the two reports following adopted a qualitative approach using interviews to investigate the views of managers and trans-national migrants, respectively.

The report on the views of managers was built around the importance of the following factors and their importance for the knowledge-based and creative industries when it comes to choosing the location of the business:

- Location
- Labour and recruitment processes
- Networking
- Public support

The research revealed that Riga, at least at the national level, is perceived as an attractive city for companies active in the knowledge-based and creative industries. The analysis, however, pinpoints several areas where the central as well as local government has to reform in order to strengthen Riga's competitiveness in the eyes of the managers interviewed. At the central level the government should considerably improve the overall conditions facing the businesses, in particular when it comes to the administrative burden and tax reporting. At the local level the Riga City Council has to improve general business conditions through measures ranging from improving the city's infrastructure; facilitating the establishment of small businesses; to a planning process that takes the needs of the creative and knowledge-based sectors into account.

The third report surveyed transnational migrants focussing on their reasons for migrating to Riga; the impression and the attractiveness of the city as such; and the general evaluation of the working and living conditions. The interviews highlighted that Riga scores well when it comes to:

- City atmosphere;
- General living conditions;
- Proximity to nature,

whereas Riga scores less well in terms of:

- Business climate;
- Bureaucracy;
- General attitude towards “foreigners” and overall tolerance.

The research also revealed that to most of the transnational migrants the main driver for moving to Riga was either family/marriage or work.

A comparison of the role of hard factors vis-à-vis soft ones, based on the research of the three reports discussed above, reveals that hard factors play a decisive role when it comes to deciding upon where to locate, whereas soft factors play an important role as retaining factors. The research also highlights the importance of personal trajectories when it comes to moving to Riga or to establish a business in the city.

1.3 Structure of the report

From the discussion above it should be obvious that there are several methodological challenges when trying to analyse data collected through various methods as well as when trying to synthesise the quantitative and qualitative data collected within work packages 5-7. These methodological issues are discussed in detail in the next chapter.

The chapter following, i.e. chapter 3 evaluates Riga from the perspective of the three different target groups. It focuses on a comparison of the spatial orientations and behaviour of the different target groups and the differences between them in terms of the relative weight assigned to different hard and soft factors.

The fourth chapter evaluates Riga from the perspectives of local conditions and policies and identifies strong and weak points of the city when it comes to the capacity to accommodate and retain activities in the creative and knowledge-based sectors.

Chapter 5 concludes the report and provides an overall evaluation of Riga as a city attracting people and businesses active in the creative and knowledge-based sectors. It also provides a reflection on the local development strategies and policies within the current context. It ends with a discussion and suggestions for further research.

Finally, while reading this report, it is important to keep in mind that the data on which the analysis is based was collected when the Latvian economy experienced a boom never seen before with real economic growth exceeding ten per cent and real wages growing at a rate of twenty per cent or more. This has most likely had an impact on the answers and hence the findings might paint a ‘too rosy’ picture of Riga. A picture which should be very different from the one of today (autumn 2009) with a rapidly falling GDP accompanied by rapidly growing unemployment. Today, at least anecdotal evidence suggests that many highly educated persons active in the creative and knowledge-based sectors have left or are about to leave the country as a response to deep Latvian crisis.

2 RESEARCH DESIGN AND METHODOLOGY

2.1 Introduction

The objective of this report is to create a synthesis of the research undertaken on Riga in work packages 5-7 within the ACRE project. The finds of this research have been presented in three reports focussing on three different stakeholders of particular interest¹:

- Employees and university graduates active in the creative and knowledge-based sectors (WP 5);
- Managers of creative and knowledge-based companies (WP 6);
- Transnational migrants active in the creative and knowledge-based sectors (WP 7).

The work packages (WPs) employed different research methods. Work package 5 was built around a questionnaire that was sent out to the target group and resulted in a data set of quantitative data that was analysed using statistical methods, predominantly various cross-tabulations. The other two work packages were built around semi-structured interviews yielding qualitative data.

When compiling these findings, the methodological challenge is to find a methodology that allows for synthesising data that differs with respect to collection method as well as to nature (quantitative and qualitative). The method employed will be the so called between-method-triangulation that allows for a combined analysis of data gathered using different methods. To ensure a uniform treatment of data and to provide a solid basis for the analysis to be undertaken in work package 9, triangulation will be the method employed by all teams within the ACRE project when working on work package 8 (i.e. the work package in which the current report is written).

To gain an understanding of the data to be analysed in the coming two chapters, the next three sections will be devoted to a (mainly) methodological discussion the work packages 5-7. The last section of this chapter will be devoted to a discussion of the methodological issues related to the current report, in particular with respect to synthesising the data.

¹ The reports are: *Riga: A place for creative people? Understanding the attractiveness of the metropolitan region for creative knowledge workers* (ACRE report 5.9); *The attractiveness of the metropolitan region for creative knowledge workers in Riga: The managers view* (ACRE report 6.9); and *The attractiveness of the Riga metropolitan region for creative knowledge workers: The view of transnational migrants* (ACRE report 7.9). All reports are available at the ACRE website: <http://acre.socsci.uva.nl/>.

2.2 Work package 5 – Employees and graduates

The objective of work page 5 was to investigate the perception of Riga as a city where to live and work amongst employees of the creative and knowledge-based sectors as well as graduates with tertiary education in relevant fields. Data was collected through an on-line questionnaire filled out electronically. The sampling technique employed was snowball sampling which is a non-probability sampling technique in which an initial group is selected. These respondents identify others to take part in the survey and who belong to the target population.

In total 251 persons completed the survey. However, not all of them answer all the questions. Out of the 178 respondents that reported their gender 111 were male and 67 were female. The survey was undertaken late July to early September 2007.

The questionnaire, in addition to addressing personal characteristics of the respondent, such as e.g. education, nationality and gender, was built around three themes:

- Satisfaction with Riga – in particular various hard and soft factors that, according to theory, are believed to be important when workers in the creative and knowledge-based sectors are deciding where to reside;
- Satisfaction with the job and work environment – referring to the idea that workers of the creative and knowledge-based sectors have a more creative, interesting and flexible job;
- Satisfaction with the neighbourhood and dwelling satisfaction – assuming that housing as well as the residential area are central elements to people's level of satisfaction with the metropolitan area where they live.

Among the hard factors covered by the survey were: accessibility; transport infrastructure; public transport; social infrastructure; technical infrastructure; working conditions. Among the soft ones covered were: various aspects of quality of life; attractiveness of the residential environment, housing conditions; tolerance; civil society; inequality.

The survey covered respondents from the following groups of professional and graduates:

- Creative workers from selected creative industries²;
- Knowledge-based workers from selected sectors³;
- University/polytechnic graduates;
- Arts and media school graduates.

² The creative industries to be considered were identified within the ACRE project and comprise:

- Computer games, software, electronic publishing, software consultancy and supply (NACE 722);
- Motion pictures and video activities, radio and TV activities (NACE 921 and 922);
- Advertising (NACE 744).

³ The knowledge-based industries to be considered were identified within the ACRE project and comprise:

- Law, legal, accounting, book keeping, auditing etc. (NACE 741);
- Finance (NACE 65);
- Research and development, and higher education (NACE 73 and 803).

The sample was decomposed using the criteria above. However, it should be obvious that such a decomposition poses a severe methodological problem since the groups considered are not mutually exclusive. For example, a university graduate might well work in one of the knowledge-based sectors considered. To which category should such a respondent belong? The knowledge-based workers? Or the university graduates? To ensure that the subgroups used for decomposition of the sample were mutually exclusive, the following sequential scheme was employed in order to classify the respondent. Step 1: Job sector; Step 2: Education. This means that if a respondent works in one of the sectors that are in the focus of this study, then he/she is considered to be a worker even though he/she also would qualify as a graduate. By the same token, if a respondent does not work in one of the relevant sectors, but has a relevant education, then he/she qualifies as a graduate.

Table 2.1 - Decomposition of the sample in work package 5 with respect to workers in the creative and knowledge based sectors, and graduates, respectively

| | Frequency | Percentage |
|-------------------------|-----------|------------|
| Creative workers | 54 | 21.5 |
| Knowledge-based workers | 105 | 41.8 |
| Graduates | 40 | 15.9 |
| Not indicated | 52 | 20.7 |
| Total | 251 | 100 |

Source: Own results

2.3 Work package 6 – The view of managers

The aim of work package 6 was to explore the importance of hard and soft factors when it came to the choice where to locate a business active in the creative or knowledge-based sector, i.e. to a large extent focussing on the business environment as such. Unlike work package 5, a qualitative approach was adopted. Data was collected through 24 in-depth interviews with managers representing selected creative and knowledge-based industries⁴ (21 interviews) and network partners (3 interviews). Out of the interviewees seven were female and 17 were male.

The interviews were carried out during the period late February to early April 2008. All interviews were in depth face-to-face interviews lasting for about one hour each. The interviews were, depending on the preferences of the interviewee either conducted in Latvian or English language. The interviews were run by two persons – one being the interviewer whereas the other was taking notes⁵. The method of snowball sampling was used to select respondents.

⁴ The selected sectors are presented in the discussion of work package 5 above.

⁵ The reason for taking notes rather than recording the interviews was that some interviewees might feel uncomfortable having their answers recorded.

Table 2.2 - Description of the sample in work package 6 – the managers' view^{6 7}

| | Self employed | Small firms (2-5 employees) | Big firms (6-200 employees) |
|--|--|--|--|
| Location: Riga City Centre | | | |
| 3 interviews | Creative industries: Computer games and electronic publishing (722) | Creative industries: Computer games and electronic publishing (722) | Creative industries: Computer games and electronic publishing (722) |
| 3 interviews | Creative industries: Motion pictures and video activities, radio and TV activities (921 and 922) | Creative industries: Motion pictures and video activities, radio and TV activities (921 and 922) | Creative industries: Motion pictures and video activities, radio and TV activities (921 and 922) |
| 3 interviews | Knowledge intensive sectors: Business and management consultancy activities (74.14) | Knowledge intensive sectors: Business and management consultancy activities (74.14) | Knowledge intensive sectors: Business and management consultancy activities (74.14) |
| Location: Riga City Suburbs | | | |
| interviews | Creative industries: Computer games and electronic publishing (722) | Creative industries: Computer games and electronic publishing (722) | Creative industries: Computer games and electronic publishing (722) |
| 3 interviews | Creative industries: Motion pictures and video activities, radio and TV activities (921 and 922) | Creative industries: Motion pictures and video activities, radio and TV activities (921 and 922) | Creative industries: Motion pictures and video activities, radio and TV activities (921 and 922) |
| 3 interviews | Knowledge intensive sectors: Business and management consultancy activities (74.14) | Knowledge intensive sectors: Business and management consultancy activities (74.14) | Knowledge intensive sectors: Business and management consultancy activities (74.14) |
| Location: both Riga City Centre and Suburbs | | | |
| 3 interviews | | | Knowledge intensive sectors: Research and development (73) – three interviews |

Source: Own study

The semi-structured interviews followed guidelines common to all ACRE partners and comprised open-ended questions structured around the following themes covering both hard and soft factors:

- The company's business model and markets;
- Choice of location;
- Labour processes and recruitment;
- Networks (formal and informal) and their importance;
- Public support;
- Prospects at the current location and plans to move.

⁶ The numbers refer to NACE code.

⁷ As seen from the bottom line of the table all companies with activities in research and development were considered to be big. There might be several reasons for this. The main reason is probably that these companies require substantial human resources in terms of number of employees.

The companies being represented in the survey were characterised along three dimensions according to the ACRE work package 6 guidelines:

- Industry (creative industries, knowledge-based industries, and research and development);
- Size (self employed, small – 2-5 employees, big – 6-200 employees)
- Location (Riga city centre, Riga suburbs)

The sample is described in Table 2.2.

In addition to the industry interviews, there were three interviews undertaken with “network partners”. In this context, a network partner is defined as a company with which the interviewed firm has a strong cooperation link when undertaking their daily activities.

2.4 Work package 7 – Transnational migrants

The focus of work package 7 was the transnational migrants working in the creative and knowledge-based sectors investigated by the ACRE project⁸. The data serving as a basis for this work package was qualitative in nature and collected through semi-structured interviews, predominantly focussing on reasons for coming to Riga. There were two types of interviews – interviews with transnational migrants and expert interviews, respectively.

In total 27 interviews were undertaken during the period November 2008 to January 2009. All interviews were face-to-face interviews lasting for about one hour. Prior to the interview, the interviewees had provided the interviewers with some basic information on age, nationality, education etc. The interviews were conducted in English language and carried out by two persons – one doing the actual interviewing whereas the other was taking notes. These notes were transcribed and analysed along guidelines common to all ACRE partners. To find the transnational migrants the method of snowball sampling was used. Out of the 27 transnational interviewees, 21 were male and six were female.

As regards the citizenship of the interviewees, there were four each from Sweden and the United Kingdom, three from the United States, two from each Finland, German, New Zealand and Russia. There were one each from Austria, Belgium, Brazil, Denmark, Estonia, Italy, Japan, Lithuania, Nigeria, and Norway.

The expert interviews, in total five, were carried out during the period December 2008 to January 2009. All interviews were face-to-face and lasted for approximately one hour each. The interviews were either conducted in Latvian or English language depending on the preference of the interviewee. Notes that were later typed, were taken during the interview and analysed according to guidelines common to all ACRE teams. The expert interviewees were identified after discussions within the local ACRE team. The experts included civil

⁸ For a discussion of the sectors considered, see Section 2.2 on work package 5.

servants, employers and NGOs – all dealing with transnational migrants in one way or another.

2.5 Methodology

The discussion above of the previous three work packages has revealed that both quantitative and qualitative methods have been employed. Hence, to synthesise the results of these three work packages it is necessary to employ a methodology that allows for the differences in the nature of the data as well as the differences in data collection. The methodological challenge of the current report when trying to coordinate and synthesise the findings of the previous work packages is illustrated in Table 2.3.

Table 2.3 - The methodological challenge when coordinating and synthesising the findings of the previous work packages (the number in brackets indicate the number of surveys/interviews)

| | Group analysed | Method | Type of data | Research focus |
|----------------|--|---------------------------------|------------------------------|---|
| Work package 5 | Employees and graduates | Questionnaire (251) | Quantitative | Private life and its relation to the city |
| Work package 6 | Managers | Semi-structured interviews (24) | Qualitative | Business environment |
| Work package 7 | Transnational migrants | Semi-structured interviews (32) | Qualitative | Reasons for coming to Riga |
| Current report | Employees, managers and transnational migrants | ? | Quantitative and qualitative | Overall evaluation of the city |

To combine the different data illustrated in the table above, the method of triangulation will be employed in order to put the results of the various work packages in relation to each other. To ensure comparability of the results within the ACRE project, triangulation will be used by all teams in order to bridge qualitative and quantitative material and to facilitate interpretations.

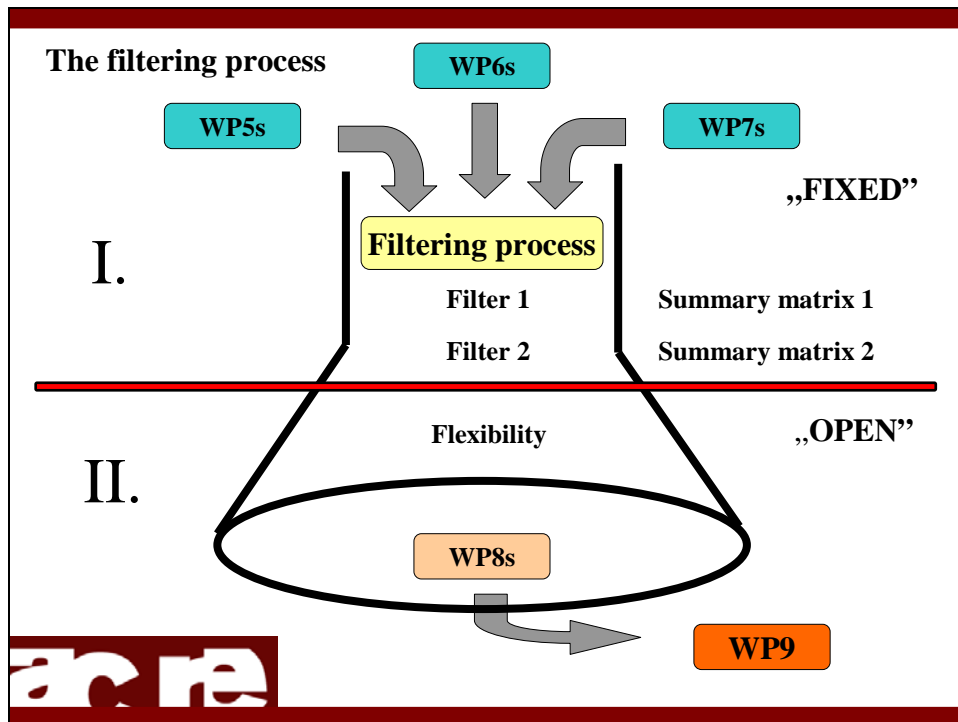
The aim of triangulation is, through combination of different types of data/analysis, to mutually validate data or interpretations/findings and to generalise results. Through triangulation, commonalities and divergences will be identified.

To identify commonalities and divergences in the findings of work packages 5-7, a two-tier filtering process illustrated in Figure 2.1 will be used. The first filter, employed in chapter 3, will generate summary matrix number 1, which focuses on how the main hard and soft factors influence the decision making of the three target groups: employees, employers/managers, and transnational migrants, be it hard or soft ones.

The second filter and the associated summary matrix are discussed in the fourth chapter of this report. In this chapter the focus is on Riga and the aim is to identify strong and weak points of the city regarding different location factors.

The second tier of the filtering process involves a summary and synthesis of the results on Riga. However, at least one caveat is necessary at this stage – since the research undertaken within the ACRE project merely focus on a few sectors of the creative and knowledge-based industries, it is impossible to know whether the results could be generalised to the entire creative and knowledge-based sector of the economy.

Figure 2.1 - The filtering process employed in work package 8



Source: The ACRE project

In figure 2.1 step II of the filtering process discussed above could be viewed as an open and flexible part of the process summarising local, unique and important outcomes of the research.

3 EVALUATION OF RIGA FROM THE PERSPECTIVE OF DIFFERENT TARGET GROUPS

3.1 Introduction

This chapter aims at comparing the spatial orientations and behaviour of the different target groups of work packages 5-7, i.e. employees and graduates; managers; transnational migrants active in a subset of the creative and knowledge-based industries. The objective of the analysis is to find the driving location factors that influence the target groups' decisions on where to locate. Although the approach applies a highly simplistic view on the complex process associated with the decision where to move or to locate a business, it will nevertheless provide interesting insights into Riga's potential as a metropolitan area attracting people and businesses active in the creative and knowledge-based industries.

The analysis will be structured along two dimensions. The first being the different target groups:

- Employees and graduates;
- Managers;
- Transnational migrants

In this context, it should be noted that the two latter groups are subsets of the first group since, e.g. a manager can also be a graduate and a transnational migrant could also be an employee¹. Furthermore, although collected through different methods, the number of observations in the first groups is about ten times the number of observations for each of the other two. These two observations suggest that it might make sense to have the first data set, i.e. employees and graduates, as the point of departure when synthesising the findings and then continue with the other two data sets.

The second dimension along which the analysis will be structured is given by various factors influencing the decision where to locate or to establish a business. Three types of factors are considered:

- Hard factors;
- Soft factors;
- Personal trajectories.

¹ In fact about one fifth of the employees/graduates participating in the questionnaire of work package 5 were transnational migrants.

Hard factors can be considered being the “traditional” factors being decisive when it comes to the decision where to locate. Examples of hard factors include: availability of production factors, infrastructure, taxes etc. Soft factors on the other hand include for example culture, ethnic diversity, quality of residential housing, and tolerance. The reason for including them is the underlying assumption that in particular to workers in the creative and knowledge-based sectors, soft factors are important when making the decision where to live. These two factors have served as the basis along which the research undertaken within the ACRE project has been structured. On the other hand, the third factor in the analysis, personal trajectories has grown in importance during the ACRE project.

Unlike the hard and soft factors, which are exogenous, the personal trajectory is unique to every person and has, as shown in the previous research undertaken within the ACRE project, emerged as a factor of great importance, in many cases being the decisive factor in the decision where to locate. Although, it strictly speaking could be considered as a hard factor, it will be separated in the analysis. There are several reasons for this. The personal trajectories are as discussed above unique to each individual. Furthermore, they are not exogenous and from a policy perspective they cannot directly be influenced by various policy measures.

The analysis of this chapter will result in a summary matrix organised around the target groups and the three factors discussed above. The decision-influencing-factors will be divided into two subgroups: attracting and retention factors, respectively. Hence, underlining the importance of keeping the workers or businesses within the metropolitan area once they have moved there.

The rest of the chapter is organised as followed. The following three sections cover each of the three decision-influencing-factors: hard factors, soft factors and personal trajectories. The forthcoming analysis will identify, through the process of triangulation, commonalities and divergences among the three different target groups considered. The section following presents the summary matrix. The last section of this chapter concludes and presents a number of hypotheses that could serve as a basis for further research.

3.2 Hard factors

Hard location factors can be referred to as the traditional factors or aspects of a metropolitan area’s environment. Such factors include availability of certain resources including labour force, availability of office space and sites for production, accessibility, regulations and taxes as well as other institutions. Hence, they relate to a large extent to the needs of the industry.

In this section the importance of the hard location factors will be assessed. The discussion starts with the findings from work package 5 analysing the perceptions of the employees and graduates in the creative and knowledge-based sectors. It continues with a discussion of the perceptions of the transnational migrants, and ends with the view of the managers.

The hard factors considered will be grouped in the following way:

- Labour market including working conditions;
- Location including climate and transport infrastructure;
- Educational opportunities;
- Social infrastructure including housing and cost of living.

The factors are presented in the order they were ranked by the employees and graduates in the creative and knowledge-based sectors who participated in the questionnaire of work package 5. In addition to the hard factors discussed above, the following two hard factors mainly covered in work packages 6 and 7 will be considered as well:

- Availability of commercial office space;
- Institutional framework and public support including tax regimes and regulations.

These two factors were not included in the questionnaire of work package 5, but were covered in at least one of the other two work packages. Availability of commercial office space is of relevance to the managers and hence discussed in work package 6. The institutional framework and public support being of relevance to both individuals and companies were discussed in both work packages 6 and 7.

3.2.1 Labour market and working conditions

Among the employees as well as the graduates, the labour market and the salaries it offers stands out as the most important hard factor when it comes to reasons for living in Riga. In fact, the job opportunities offered by the Riga labour market are considered to be the most important factor (all categories) In fact it most important factor, all categories, for employees of the two sectors considered as well as for the graduates. Hence, employment is an important pull factor. This should come as no surprise since Riga is the centre of economic activity in Latvia.

When it comes to the transnational migrants, there are two main reasons for moving to Riga. Either they move there because of job opportunities or they move there for family reasons. About half of the transnational migrants interviewed in work package 7 mentioned job related reasons for moving to Riga. A similar picture was painted in the work package 5, aggregated findings from the 51 transnational migrants taking part in the survey, indicate job related factors as the main reason for moving to Riga.

Out of the twelve respondents in work package 7 that mentioned job related reasons for moving to Riga, half had had a job offer that took them to Riga, whereas the other half either were sent to Riga by their company or sent to Riga within a project. One interesting observation in this context is that out of the six interviewees that either were sent to Riga by their employers or came to Riga working within a project, five have left the job or project that originally took them Riga. Hence, the Riga labour market has made it possible for them to stay longer in the city than originally planned.

As for the managers, access to the labour market and its qualified work force is one of the key reasons for why being located in Riga. The most important reason was, however, the size of the market and the fact that most customers/clients are in Riga. The role of the universities and other institutions of higher education was emphasised in terms of creating a supply of highly qualified workers in the creative and knowledge-based sectors.

Hence, the opportunities offered by the labour market is a main attraction factor to all groups interviewed. The natural question that follows is: To what extent are the opportunities offered by the labour market a major retaining factor as well? The general answer is “no”. There are however two exceptions. One being the subset of transnational migrants discussed above. The other being graduates. For the graduates the fact that most of them studied in Riga also plays an important role in the decision to stay in Riga after graduation – in other words the education brought them (the ones born outside Riga) to the city and the labour market conditions acted as a retaining factor. However, when discussing the role of the labour market as a retaining factor, it is important to keep in mind that a well-functioning labour market is more or less a necessary condition for anyone who would like to continue staying in Riga.

Work package 5 also addressed the issue of job satisfaction. Overall the job satisfaction was high or even very high across the different groups of employees and graduates studied. There was however one notable exception, senior officials who were substantially less satisfied.

Finally, the question asked in the survey of work package 5 on reasons for leaving the current job, might give an indication how attractive the Riga labour market is and how strong it is as a retaining factor. Among the possible answers to the reasons for leaving the current job within one year were “moving out of Riga” and “leaving the country”. In total 3 per cent mentioned moving out of Riga, whereas 8 per cent mentioned leaving the country. In other words more than 10 per cent of the respondents consider leaving the Riga metropolitan area within a year – a quite high number, in particular when taking into account that the survey was undertaken in summer and early autumn 2007 when the Latvian economy experienced a strong boom. Today (autumn 2009) the Latvian economy is suffering from a deep recession and it a reasonable guess is that even a higher fraction of respondents would consider leaving Riga and the country were the survey undertaken today². In this context it is also worth mentioning that 12 per cent of the workers in the knowledge-based sectors quote “leaving the country” as the main reason for leaving their job within the coming year.

To conclude:

- Access to the labour market is an important attractor – in many cases the most important attractor.
- For graduates who went to Riga for studies, the labour market serves as a retaining factor.
- There are (naturally) strong links between the labour market and the educational sphere.

² This seems to be supported by anecdotal evidence. Furthermore, the number of Latvian registering in the United Kingdom reached an all-time high during the first half of 2009.

- For transnational migrants being sent out by their companies or being sent out on project, the Riga labour market serves as a retaining factor making it possible to extend their stay in Riga.
- The observation that more than 10 per cent of the survey respondents, who indicate that they plan to leave their job within one year, say that they plan to leave Riga indicate that there is something “wrong” with the labour market or with the prospects associated with staying Riga.
- The size of the Riga labour market is considered to be very important.

3.2.2 Location

The location factors covered in work package 5 include: size of the city, weather/climate, transport links, and proximity to natural environment. Out of these, the size of the city turned out to be the most important one when discussing the reasons for living in Riga. Out of the hard factors considered the size is viewed as the second most important by employees of both sectors and graduates alike. Given the weight attached to the labour market (as discussed above) it should come as no surprise that the size of the city is important as well – a larger city means more opportunities for workers in the creative and knowledge-based sectors as well as for graduates.

The size of the city is also important to the transnational migrants. In the survey of work package 5, the transnational migrants rank the size of the city as the overall second most important reason for living in Riga. However, as the in-depth interviews of work package 7 reveal, it is the compact size of Riga that attracts the transnational migrants. As two of the transnational interviewees explain:

It is small enough. You can easily walk around the city. At the same time you have art, restaurants, night clubs and museums. Its location is good.

Riga is a very beautiful city, the density of people is low. The buildings are much lower than those in Japanese metropolitan areas or in Moscow.

There is an interesting contradiction here. Being the biggest city in the region, Riga is, among locals appreciated for its size being a big city. Among the transnational migrants the city's compact size and small scale is highly appreciated.

As for the managers, the size of the city is probably the most important factor. With the size of the city comes the market and the clients. Furthermore, as discussed above, with the size of the city also comes the access to the labour market and its pool of highly qualified employees. As one manager put it:

It is obvious – Riga is the largest city in Latvia. Hence, only here we can find a high number of potential clients.

The size of the city, in this case its relative smallness, is also important in terms of networking:

Riga is small, a very small city, so eventually everyone knows everyone else in the industry...

In addition, as pointed out by several of the managers, with the size of the city comes good networking opportunities, something which is regarded as quite important. Furthermore, being the biggest city in Latvia, Riga attracts a relatively much foreign direct investment, which also makes the city attractive in the eyes of the managers. However, there is a difference between the small companies of the sample and the bigger ones. To the small ones, the geographical proximity to the market seem to be less important. To them the proximity to the market is not defined by the geographical location but through internet.

Out of the location factors, the analysis of work package 5 showed that proximity to the natural environment is the second most important one. It is important to all target groups interviewed in work package 5. However, the transnational migrants stand out, to them the access to nature more or less ‘around the corner’ is the third most important reasons for living in Riga. To the transnational migrants it is very much of a retention factor. This finding is confirmed in the in-depth interviews as well. However, the climate it considered to be a serious drawback:

There are plenty of spare time activities available, and the city is rather nice. However, it would be much better if there were more sunny days.

The third location factor of importance is good transportation links. Although not considered to be that important by the employees and graduates interviewed in work package 5, it is (naturally) considered to be quite important by the transnational migrants, giving them an opportunity to enjoy a “transnational lifestyle”. One of the transnational migrants explains:

Mobility is not a problem for me anymore. If I want to visit my relatives in Belgium during a weekend, it is possible to go there for just LVL 20 (EUR 30) with Ryanair.

Hence, the rapid expansion of Riga International Airport has played an important role in improving Riga’s attractiveness in the eyes of the transnational migrants. About five years ago Riga had direct flights to somewhat more than ten destinations. Today there are direct flights to approximately sixty destinations. Hence, Riga is not perceived as peripheral as its geographical location might suggest. This development is also recognised by the managers interviewed. In terms of other transport infrastructure, in particular the roads, all target groups see a huge need for improvement.

Closely related to transportation links is the geographical location of Riga. In particular managers, but also transnational migrants emphasise the advantages of being located in the centre of the Baltics (defined as Estonia, Latvia and Lithuania). They also emphasise the advantage of being situated in between “East” and “West”.

To conclude:

- The size of the city is a main attractor to all target groups. To employees and graduates the city’s “big” size is appreciated, to the transnational migrants the city’s “small” size and the fact that it is compact are both appreciated. To managers the size of the city means access to a big market and networking opportunities. The latter being facilitated by the city’s smallness.
- The proximity to the natural environment is important – in particular to the transnational migrants (where it to a large extent serves as a retention factor).
- Riga’s airport and the high number of direct flights are perceived as an important factor for transnational migrants and managers alike. To the transnational migrants it is more of a retaining factor, whereas for the managers it serves as an attractor.
- With the exception of the airport, the transport infrastructure (in particular the road structure) is rated low by all target groups.

3.2.3 Educational opportunities

The discussion of educational opportunities and the presence of good universities reveal that neither the employees nor the graduates consider it to be an important reason for living in Riga. However, by having the leading Latvian universities and other institutions of higher education located within the Riga City limits means that Riga attracts a number of talented youth from the rest of Latvia every year who goes to Riga to get higher education. Once graduated, most of them stay in Riga and hence feeds the local labour market with skilled labour in the creative and knowledge-based fields.

As for the managers, the presence of universities facilitates the recruitment of skilled labour. Furthermore, when asked for why the business was located in Riga, the second most quoted explanation is that the founder studied in Riga. The most quoted answer was “founder being born/growing up in Riga”. The managers also discussed higher education in terms of quality, and several managers raised concerns about the quality of the Latvian higher education. They also addressed the inability to provide graduates with the skills needed to work in the creative and knowledge-based sectors.

In other words:

- The presence of (by national standards) good universities act as a pull factor for future employees and graduates as well as business owners.

3.2.4 Social infrastructure including housing

The ACRE survey analysed the importance of social infrastructure, e.g. kindergartens, health care, social security etc. In general neither employees nor graduates were satisfied by the social infrastructure provided. The only exception being the quality of health services where more than half of them were satisfied with the services provided. This finding should be contrasted with the view of transnational migrants expressed in both the survey and in the in-

depth interviews of work package 7. The transnational migrants are considerably less happy with the healthcare services provided. One obvious explanation might be that most of the transnational migrants have a different, i.e. Western, benchmark when it comes to healthcare.

Needless to say, the social infrastructure was not mentioned as a decisive factor when it comes to the decision to work and live in Riga. The same is true for the companies, facilities belonging to the social infrastructure were hardly ever mentioned in the interviews with the managers. In terms of retention, the state of the social infrastructure might have a negative impact, i.e. encouraging both locals and transnational migrants to leave. Furthermore, after the surveys and interviews on which this research is based were conducted, the Latvian economy has gone into a deep recession with severe budget cuts planned for the public sector. Many of the sectors being hardly hit by these budget cuts provide various forms of social infrastructure, e.g. health care. Hence, it is reasonable to assume that were interviews undertaken today, then picture painted would most likely have been gloomier.

When it comes to housing, the overall impression is that to none of the target groups availability of housing is/has been a problem. However, it is not to the extent that it acts as a pull factor, but it does not act as push factor either. The affordability and quality of housing is more of problem both to locals and transnational migrants. However, when it comes to affordability one should maybe say that “it used to be a problem”, since the current recession that the Latvian economy is experiencing has put a heavy downward pressure on the rents as well as on the real estate prices. Anyway, at the time of the data collection, foreigners seemed, surprisingly, to be more concerned about the affordability of housing. There might be several reasons for this, one being that the transnational migrants in general require a higher standard and a better location than the locals and this naturally comes at a price. Another explanation is given by the following quote from one of the transnational migrants being interviewed:

The housing situation is and has always been somewhat of a joke. Expectations that people from abroad are all millionaires just dying to live in Riga and who are at the same time willing to spend an arm and a leg for the honour of renting or buying property in this country has pushed prices to the point where one could but laugh. With some of the prices offered here in the past you would expect to have a bedroom view of the Eiffel Tower, the Big Ben, or of Central Park on Manhattan.

Finally, as for the quality of housing the respondents were in general quite satisfied.

To conclude:

- The social infrastructure might act as push factor for employees, graduates and transnational migrants alike.
- Housing availability is good. However, it is neither a pull nor push factor.
- Transnational migrants are (or maybe were) less satisfied with the affordability of housing.

3.2.5 *Availability and affordability of commercial office space*

Obviously the need for office space varies with the size of the business. For small business owners/managers housing and office space are in many cases overlapping, i.e. the business is run from home. In fact several of the managers active in small businesses within the creative and knowledge-based sectors said that they can run their business from anywhere as long as there is an internet connection. However, with an increasing size of the business comes the need for commercial office space.

Like with housing, the availability of office space is not perceived as a problem, whereas affordability is. Again this might have changed due to the economic downturn that Latvia and Riga are currently experiencing. Most of the investigated companies located outside the Riga city centre put forward the cost of office space as the main factor when deciding to locate the business outside the centre.

The view on office space is naturally also dependent on the type of business. In particular companies to which networking and the prestige that comes with a central address are important tend to locate within the city centre despite the high rents. This is particularly true for companies involved in business consulting.

Finally, even though the managers might complain about the cost of office space, most of them do not consider moving the business outside Riga. The main reason for this is that Riga is *the* place in Latvia where to conduct business. Furthermore, Riga is the place where the relevant networks can be found. The only exception being the managers of the companies whose business model relies on the internet.

To conclude:

- Commercial office space is neither a pull nor a push factor when it comes to the companies' decision where to locate.

3.2.6 *Institutional framework, public support and regulation*

This subsection covers various aspects related to the government and the overall institutional framework, ranging from taxes and public support to red tape. To start with public support very few companies in the sample of work package 6 had had any direct financial support from the public sector. The few that have had were mainly active in research and development. Furthermore, when asked about what they expect in terms of direct public support, most of the companies do not expect anything, or as one manager puts it:

I think companies in our industry are capable of surviving themselves without any need for public support. I do not actually see the reason for why there should be any support.

When considering the impact on the business climate, the managers pinpoint several areas where the public sector has to improve or where it even fail to deliver:

- Overall reduction of the administrative work load facing entrepreneurs, micro businesses and small businesses;
- Facilitation of the tax administration;
- Lower the taxes as such, in particular on labour;
- Facilitation of the process associated with hiring foreigners.
- Reduce the corruption in the public sector;
- Facilitation of the administration of EU projects.

A similar picture is painted by the transnational migrants, who highlight the difficulties dealing with the Latvian red tape. The following quote from one of the long term transnational migrants provides a good summary of the perception among the transnational migrants:

The Latvian red tape is very hard to get through. This is why there are so many inventive way of getting around it. You can always find a person who need a new office lamp or help with paying off the credit on a flat-screen TV. People in general in Latvia will always say that corruption is a bad thing and I agree. But at the same time people will say that bringing people is the only way to move forward in many situations, and I agree with this too. I have tried to do as much as possible in a legal way in this country, but life is too short to wait around for paper work to go through the legal way in this country some times.

The negative impact of the Latvian red tape as such is further strengthened by the negative attitude and the perceived discrimination of foreigners (to be discussed among the soft factors).

Managers, experts and transnational migrants bring up the difficulties in hiring people from outside the European Union. It requires a lot of paperwork, takes a long time and involves quite high costs.

To summarise:

- The Latvian red tape definitely serves as push factor – both for companies and transnational migrants.

3.3 Soft factors

In general soft factors relate to a large extent to the individual's perception and consumption patterns. In many cases they are intangible assets of a city. They range from the atmosphere of the city and the presence of theatres, restaurants and museums to fairly abstract concepts such as tolerance. Throughout the ACRE project, soft factors have played a prominent role in the surveys and interviews.

The procedure for analysing the importance of soft factors will be similar to the one employed in the previous section assessing the importance of hard factors – in particular in terms of acting either as attracting or retaining factors. The soft factors to be considered are:

- Cultural diversity and diversity of leisure and entertainment;
- Tolerance, acceptance of diversity, openness and business culture;
- City atmosphere, diversity of the built environment, quality of life and safety;

Finally, when it comes to the managers, in general to a large extent they neither discuss the role nor the importance of soft factors. To them the hard factors and their direct relevance for the business seem to be what matters and that the soft factors are of less if any relevance.

3.3.1 Cultural diversity and diversity of leisure and entertainment

Out of the soft factors, the cultural diversity and the diversity of leisure and entertainment is the soft factor ranked the highest among the respondents of survey in work package 5. Overall, it is ranked as the sixth most important factor (all categories) when it comes to the reasons for living in Riga. For graduates, it is together with job opportunities the most important reason for living in Riga. One explanation for this result might be that the graduates in general are younger, they have not formed a family and hence have more time to enjoy the cultural offerings of the city.

The graduates are, however, not the only ones to enjoy the diversity of Riga's cultural and entertainment scene, the transnational migrants seems to be almost as positive. Furthermore, the transnational migrants are in general more positive than the locals. One of the long-term transnational migrants put it in the following way:

The beauty of the city attracts. You have art, opera, orchestras, individual performers, restaurants...

A closer look at the results reveals that among the various cultural and leisure opportunities offered by Riga, festivals and cultural activities together with cinemas score high. Furthermore, and as discussed above, the proximity to nature and the associated leisure activities rate high as well, in particular among the transnational migrants.

Summarising the findings with respect to attraction and retaining factors yield the following:

- For graduates the cultural diversity and the diversity of leisure and entertainment act both as an attraction and retention factors.
- For transnational migrants the cultural diversity and the diversity of leisure and entertainment act as a retaining factor.

3.3.2 *Tolerance, acceptance of diversity, openness and business culture*

Throughout the ACRE research on Riga, all indicators show that Riga is not a place with a tolerant attitude towards minorities, be it ethnic, religious or sexual. It is neither a place where diversity is easily accepted. A closer inspection of the findings reveal that graduates and transnational migrants are more critical/more negative than the employees when it comes to the overall level of tolerance and attitude towards diversity. One reason for this is that graduates in general are younger and probably themselves more open towards minorities. As for the transnational migrants, one possible explanation is that most have experience from countries with a more open attitude. As one transnational migrant put it:

Tolerance and openness: It is official in Latvia that we do not tolerate Jews, gays, minorities, black, Muslims and that we are homophobic. You must have laws against discrimination.

Many of the transnational migrants have also experienced the negative attitude towards foreigners, both in dealing with government officials and in everyday life. When reflecting on the everyday experience one of the transnational migrants says:

It is too introverting. They are in NATO and EU, but from my experience they are negative to foreigners. However, they cannot be alone.

Another transnational migrant put it slightly differently:

What I dislike is that there is some narrow mindedness of some of the Latvian people – they should understand that Riga historically used to be a multicultural and multinational city. It is the advantage. But many Latvians say that this is Latvia and you should only speak Latvian. Most of the older Latvians are pressed with this thing.

The reason for the non-welcoming character of Riga in terms of minorities and foreigners might be found in the heritage of the close to 50 years of Soviet occupation. The Soviet society was not in any respect characterised by tolerance. Although almost twenty years have passed since the end of Soviet rule, this can still be seen in today's Latvia and Riga. One example is the widespread homophobia and the general attitude towards foreigners that quite often is turned into xenophobia.

Closely related to openness is the use of English language in the daily life of transnational migrants. Here the transnational migrants are quite happy with the developments during the last years and as one of them put it the following way:

It is positive that there is a significant improvement in English knowledge. In every shop there is at least one person who speaks English. The situation was completely different in 2002. Now I can speak with a police officer in English.

Somewhat related to tolerance and openness is the concept of business culture. Given the previous discussion it should not come as a surprise that there is much to be improved also in the field of business culture. The following two quotes by one manager (transnational migrant) captures well the perceptions of the overall business culture:

Business culture in Latvia is very different compared to other countries. Here it is a hierarchical system – people are afraid to take responsibility. It creates problems and hampers productivity. People need to be more flexible here, take more responsibility: I think that the current crisis will bring some positive changes with respect to this and make the system more efficient. However, the crisis will also increase intolerance and corruption. Corruption is a big problem in Latvia. Corruption in Government a huge problem.

Riga should become more attractive as a business centre. Increase the level of transparency and make the business environment more attractive. Eliminate the formalities immigrants must deal with to more reasonable amount of paper work.

Finally, when it comes to the transnational migrants, there is a clear pattern. The ones with a background in Western Europe, North America or New Zealand are much more critical in comparison to those from other parts of the world.

Related to the business culture is the role of business networks available to managers in the creative and knowledge-based sectors. The findings indicate that business networks play an important role in the managers' decision where to locate the business. This seems to be particularly true for managers of small business.

To conclude:

- The lack of tolerance and the negative attitude towards diversity act as a factor that discourages attraction as well as retention.
- The attitude towards foreigners makes it less attractive to prolong the stay in Riga.
- The attitude towards foreigners also makes it less attractive to migrate to Riga – in particular when combined with the bureaucratic hurdles facing non-EU transnational migrants.
- The prevalent business culture in Latvia discourages attraction and retention.
- Business networks play an important role in the managers' decision where to locate.

3.3.3 City atmosphere, diversity of the built environment, quality of life and safety

The survey of work package 5 shows that overall the respondents are very satisfied with their life in Riga. On a 10-grade scale, where 1 indicates very satisfied and 10 very dissatisfied, almost 50 per cent of the respondents indicated a level of satisfaction in between 1 and 3. Knowledge workers seem to be a bit less satisfied than the average, whereas the foreigners seem to a level of satisfaction higher than the average.

Irrespective of target group, the city is overall perceived as welcoming and the respondents are in general happy with their neighbourhoods and the public areas – in particular the parks. Furthermore, they enjoy the atmosphere that comes with a mix of entertainment, cultural life in an interesting setting in terms of history as well as architecture. The respondents in general praise the overall environment, the cityscape and the fact that Riga is a very compact city where more or less everything of interest is within walking distance.

The architecture and the diversity of the built environment is appreciated by all target groups. The transnational migrants seem to be ones appreciating it the most. The in-depth interviews with the transnational migrants reveal that the various architectural styles and their links to the more than 800 years of Riga history are highly appreciated. One transnational migrant put it the following way:

I like the Old Town, the city centre, Alberta iela with its Jugendstil buildings, Bastejkalns.

There is however, one dimension where there is great divide between the locals and the transnational migrants – safety. The transnational migrants perceive the city as very safe, whereas the local are of totally different opinion. In the survey of work package 5 almost all Latvians were worried about the safety, whereas only a quarter of the foreigners were concerned. Another indicator shows that 45 per cent of the foreigners were satisfied with the safety on streets, whereas only nine per cent of the locals were satisfied.

Finally when it comes to transnational migrants, one could maybe expect that the perception of Riga and its atmosphere would to a large extent be determined by the transnational migrant's background (home country). However, there are no such patterns in the data – the city as such is highly appreciated by more or less everyone irrespective of background.

To sum up:

- To Latvians the city atmosphere and quality of life in Riga could be considered as attraction factors as well as retaining factors.
- To transnational migrants the city atmosphere and quality of live serve mainly as a retention factor. The simple reason for why these aspects do not serve as an attraction factor seem to be that very few transnational migrants were aware of these virtues prior to moving to Riga.

3.4 Personal trajectories

One of the somewhat surprising findings, in particular in work packages 6 and 7, was the role of personal trajectories. For example, the decision where to locate a business was to a large extent related to the personal ties the manager/entrepreneur had to Riga, e.g. born there or educated there. For the transnational migrants, the in depth interviews revealed that family related factors played an important role in the decision to move to Riga.

The fact that the personal trajectories have emerged as an important factor create some problems since the role of personal trajectories were not originally considered in the ACRE research agenda. Although the personal trajectory could be considered to partly be a function of various hard and soft factors, there is a component specific to the individual, e.g. his/her previous experience, affiliation with the region through for example family. These aspects have not been explicitly addressed in the ACRE project. Although data was not collected with the role of personal trajectories in mind, the answers from the in-depth interviews of work packages 6 and 7 at least provides us with some insights into the role of personal trajectories

and their eventual role when it comes to the decision where to locate a business or where to move.

The inclusion of personal trajectories introduces a type of path dependency at the individual level. The following example from one of the interviews with the transnational migrants can serve as an example:

I had relatives here and I have always liked this place since my very childhood. So I know Riga quite well. I also knew people from the artistic sphere in Riga. ... The decision was definitely motivated by emotional, not rational reasoning.

In this section we will try to deduct some information from on the role of personal trajectories from the interviews with managers and transnational migrants. First consider the managers. A majority of the managers mention the fact that they were either born in Riga or had lived there for a long time as one of the reasons (in many cases *the* reason) for why they located their business there. The following quotes can serve as an illustration:

We happen to be located in Riga simply because we live here. If it was any other city, most likely we would have run the same activities from there. Actually, cost-wise, another city would even have been preferred.

The location was chosen mainly due to the living place: it was just the easiest place.

At the individual level, there seem to be some evidence that the personal trajectory play an important role in the sense that those workers and graduates who came to Riga for studies actually stayed in the city after graduation.

There is somewhat more evidence when it comes to the transnational migrants. About one quarter of the respondents quote family (in particular marriage) as the main reason for moving to Riga. Furthermore, there were a couple of respondents who had other types of affiliations to Riga which in turn made them moving there. In this context it might not be too speculative to assume that Latvia's accession to the European Union 2004 has facilitated transnational migration. In particular migration not directly related to job offers or being sent abroad by the employer.

To conclude this brief discussion on personal trajectories, it seems like:

- The personal trajectories play an important role as attractor. This seems to hold for all the target groups considered.
- For workers and graduates studies serve as a pull factor and once in Riga they stay on after graduation.

3.5 The summary matrix

The findings so far are presented in a summary matrices focussing on the attraction and retaining factors, respectively. Needless to say, the factors could have a positive or negative impact on the decision to move to Riga or to stay there. In case they have a negative impact, then they are followed by a “(-)”, i.e. they are being push factors.

Table 3.1 - Summary matrix: Attraction factors

| | Hard factors | Soft factors | Personal trajectories |
|--------------------------------------|---|-------------------------------------|--|
| Creative and knowledge-based workers | Job offer/employment | City atmosphere and quality of life | Born in Riga/grew up in Riga/studies in Riga |
| Graduates | Job offer/employment Studies, availability of higher education | Cultural life and city atmosphere | Born in Riga/grew up in Riga/studies in Riga |
| Managers | Access to the labour market and size of the labour market Riga being the centre of economic activity in Latvia Universities as recruitment base | Business networks | Born in Riga/grew up in Riga/studies in Riga |
| Transnational migrants | Job offer Business opportunities | | Family - marriage |

Source: Own study

Table 3.2 - Summary matrix: Retaining factors

| | Hard factors | Soft factors | Personal trajectories |
|--------------------------------------|--|---|------------------------------|
| Creative and knowledge-based workers | Job offers/employment Transportation and infrastructure(-) Social infrastructure(-) | City atmosphere and quality of life | Family and friends in Riga |
| Graduates | Job offers/employment Social infrastructure(-) | Big city City atmosphere and its offerings | Family and friends in Riga |
| Managers | Access to labour force Transportation infrastructure(-) | Business networks Business culture(-) Government red tape and bureaucracy(-) | Family and friends in Riga |
| Transnational migrants | Geographical position and international accessibility Proximity to nature Government red tape and bureaucracy(-) Transportation infrastructure(-) Social infrastructure(-) | City atmosphere, cultural offerings Tolerance and diversity(-) Climate(-) Compact city | Family and friends in Riga |

Source: Own study

3.6 Conclusions

The findings of this chapter could be summarised in five hypotheses. The hypotheses highlight the ‘unexpected’ findings within the ACRE research on the creative and knowledge-based workers in Riga.

The first hypothesis discusses the role of hard factors and should be contrasted with the ideas on the mobility of the creative class and the role of soft factors put forward in particular by Richard Florida and to a large extent focussing on North America.

Hypothesis 1: *Hard factors play a pivotal role when it comes to the individual creative or knowledge-based worker’s decision where to locate.*

Florida (2002a, 2002b) emphasises the role of soft factors as main attractors or pull factors when it comes to attracting workers active in the creative and knowledge-based industries. However, the findings of the current study suggest that out of the three factors or forces considered (hard factors, soft factors and personal trajectories), soft factors seem to be the one of least importance. This gives us the second hypothesis:

Hypothesis 2: *Personal factors/trajectories are more important than soft factors (cf. Florida’s discussion).*

However, at least one caveat is needed at this point – the findings of this report do not imply that the soft factors are irrelevant. On the contrary, if one look upon them as either retaining or attracting factors, they seem to play a relatively more important role as retaining factors. Hence:

Hypothesis 3: *Soft factors are less of attraction factors and more of retention factors.*

This might however be something which is more specific to cities like Riga whose virtues are less known, i.e. transnational migrants do not primarily come to, e.g. Riga, for its (in many cases unknown) soft factors, but once they are known they play a crucial role when it comes to decide whether to stay or not.

Hypothesis 4: *Personal trajectories play an important role.*

It is no exaggeration to say that the role of personal trajectories seem to be larger than originally anticipated when the research was initiated – something which is reflected in the fact that (in particular at the early stages of this research project) not much attention was devoted to the role of personal trajectories when designing questionnaires and interview schemes. However, it should not come as a surprise that the role of personal trajectories has increased. Latvia’s accession to the European Union and the removal of barriers within the European Union when it comes to intra-Union labour migration have, as discussed in e.g. Conradson and Latham (2005), Scott (2006a, 2006b), led to a diversification of motives among international migrants by opening up opportunities that were not previously available (or that were very difficult to undertake due to legislative or bureaucratic barriers etc).

Furthermore, the analysis revealed a type of ‘individual path dependency’ where personal experiences seem to play an important role. Hence, it is reasonable to assume that various

European Union mobility programmes, e.g. the EU-funded Erasmus and Socrates programmes aiming at students, will encourage mobility among young people, which in turn will increase the transnational mobility of the workers in the creative and knowledge-based sectors of the economy.

The increased importance of personal trajectories and the consequences thereof could be summarised in the fifth and final hypothesis discussing the transnational migrants; their types and the length of their stays in the foreign country:

Hypothesis 5: *The increased importance of personal trajectories has resulted in: (a) an increased heterogeneity among the transnational migrants; (b) a tendency to stay longer or even permanently in the foreign country.*

Finally, it should once again be emphasised that all five hypotheses are still highly speculative and that they only build on the findings of the ACRE research focussing on the workers of the creative and knowledge-based sectors in Riga. Needless to say each of them requires further research.

4 EVALUATION OF RIGA FROM THE PERSPECTIVE OF LOCAL CONDITIONS AND POLICIES

4.1 Introduction

The purpose of this chapter is to analyse the strong and weak points of Riga with respect to the various hard and soft factors discussed throughout the ACRE research programme. Based on the discussion of the preceding chapter attention will also be paid to the importance of personal trajectories. In terms of the methodology applied and as illustrated figure 2.1, this chapter will apply the second filter and continue with the second step of the filtering process – the open part that summarises local, unique and important outcomes.

The filtering process will refine the findings on the role of locations specific factors. Furthermore, it will identify the factors that play an important or insignificant role, respectively, in terms of attracting or retaining workers in the creative and knowledge-based industries; businesses active in the creative and knowledge-based sectors; and transnational migrants.

The rest of the chapter is organised as follows. The next section presents and implements the key tool, the second summary matrix which serves as the second filter. The findings when it comes to the most important attraction and retention factors serve as a basis for the remaining three sections of this report, which discuss site specific or ubiquitous indicators, path dependency, and the position of Riga with respect to hard and soft factors.

4.2 The summary matrix

The basis for the discussion of this chapter is the second so called summary matrix which will help us in identifying the strong and weak points regarding different location factors. The input to the summary matrix comprises the findings of work packages 5-7. In the matrix, the importance of a number of location factors is evaluated with respect to the different target groups.

To facilitate the presentation of the findings in the summary matrix, the different target groups will be coded according to table 4.1.

Table 4.1 - Coding employed in the summary matrix (table 4.2)

| Target group | Sub-group | Codes |
|---------------------------|-----------------|-------|
| 1. Employees | Creative | 1A |
| | Knowledge-based | 1B |
| | Graduates | 1C |
| 2. Employers/managers | Creative | 2A |
| | Knowledge-based | 2B |
| 3. International migrants | Creative | 3A |
| | Knowledge-based | 3B |

Furthermore, if for example “1” is listed in the summary matrix, then it refers to the entire group – in this case all employees, whereas “1a” refers to the sub-group, in this case employees in the creative sector. The summary matrix is presented in figure 4.2 below.

When interpreting summary matrix 2 below, “strong” means that factor is a strong pull factor either in terms of attracting the target group(s) and/or in terms of retention. “Medium” means that the factor has a positive impact, i.e. it is still a pull factor, but of less strength. “Weak” on the other hand means that the factor either discourages attraction and/or retention, i.e. the factor is a push factor. If a factor has not entry, then it is neither a pull or push factor (no pattern being observed in the data collected in the previous work packages).

Table 4.2 - Summary matrix 2: Identification and evaluation of location factors that are important in terms of attracting or retaining the target groups

| | Strong | Medium | Weak |
|---|--------|--------|----------|
| HARD FACTORS | | | |
| International accessibility | 3 | | |
| Employment | | | |
| Job offers | 1, 3 | | |
| Career opportunities | | | |
| Working conditions | | | |
| Type of contracts and salary | | | |
| Working facilities | | | |
| Education | | | |
| Universities and higher education | 2B | 2A | |
| Technical infrastructure | | | |
| Transport | | | 1A,B;2,3 |
| Public transport | | | 1A,B;2,3 |
| Social infrastructure | | | |
| Kindergartens, schools, international schools | | | |
| Health and medical services and facilities | | | |
| Housing conditions | | | |
| Dwelling stock | | | |
| Price of housing | | | 1A,B;3 |
| Availability of housing | | 3 | |
| Living conditions | | | |
| Cost of living | | | 1,2,3 |
| Taxation system and government red tape | | | 1,2,3 |

Table 4.2 continued

| | Strong | Medium | Weak |
|--|---------------|---------------|-------------|
| SOFT FACTORS | | | |
| Quality of the environment | | | |
| Geographical dimensions | 3 | 1 | |
| Image of the city | | 3 | |
| Cultural milieu | | 1,3 | |
| Language or language barriers | | | 11, 3 |
| Attractive architecture | 1, 3 | | |
| Attractive residential environment | | 3 | |
| Working environment | | | |
| Flexible schedules | | | |
| Attractive working environment | | | |
| Quality of life | | | |
| Everyday life | 3 | 1 | |
| Culture, leisure, sports and entertainment offerings | 1C, 3 | 1A,B | |
| Services, shopping and gastronomy | 1C | 1A,B; 3 | |
| Safety | 3 | | 1 |
| Tolerance, acceptance of diversity, openness | | | 1, 2, 3 |
| Social cohesion, equality | | | 12, 3 |
| PERSONAL TRAJECTORIES | | | |
| Born here | 1, 2 | | |
| Family reasons | 3 | 1, 2 | |
| Studied here | 1B, 1C | | |
| Private sphere: Friends, acquaintances | 1 | 3 | |
| Professional sphere: Contacts, working staff, networking | 1 | 2, 3 | |

One immediate finding from the summary matrix is that to managers, factors directly related to the business are more or less the only ones that matter.

4.3 Site specific and ubiquitous indicators

Inspection of the summary matrix in table 4.2 reveals that out of the most important attraction and retention factors discussed in the previous section there are just a few that stand out as site specific:

- The cityscape with its combination of the Hanseatic Old Town and the surrounding new town with its Art Nouveau architecture and parks.
- The compact size of Riga.
- The proximity to nature.
- Family, in particular marriage (to a Latvian woman) being a common attractor.

¹ Refers to Latvians of Russian ethnicity in the sample.

² All in group 1 are concerned, however graduates to a less extent.

On the negative side there are a few site specific indicators as well:

- The absence of tolerance when it comes to ethnic as well as sexual minorities.
- The overall negative impact of the Soviet heritage as manifested in for example government red tape and corruption.

The view on safe is quite interesting. To transnational migrants safety is a pull factor, whereas to the locals Riga is not considered to be safe. There might be several reasons for this. One explanation might be that the two groups have different benchmarks when it comes to safety. Another possible explanation might be that the transnational migrants can afford living in neighbourhoods that in general are perceived as safer.

The other factors being important in terms of attraction and/or retention could more or less all of them be considered ubiquitous. As discussion of the previous chapter revealed, personal trajectories play a surprisingly important role as an attraction but also retaining factor. The role of personal. With respect to the other factors, all seem to be fairly happy with their housing and the cultural life, whereas they are less happy with transport infrastructure and costs of living.

4.4 Path dependency

The development of Riga has been repeatedly interrupted by political and institutional changes and the economic development has been affected by shifting dependency links with other economies. The key stages of the last 150 years' development could be summarised in the following way:

- The period 1880-1914 saw the industrialisation of what was then the third largest city of the Russian Empire. There were several large scale industries serving the entire Russian market. In addition Riga emerged as a centre of trade and commerce between Russia and Western Europe. During this period the “new town” with its celebrated Art Nouveau architecture was built.
- The period 1918-1940 comprises the first period of Latvian independence and is characterised by smaller scale industry and more technologically advanced enterprises. This was a period of Latvian “culture building” with roots in the late 19th century and several important Latvian cultural institutions were established during this period.
- The Soviet occupation 1945-1991 saw large scale industries established in Riga again. The heavy industrialisation of Riga resulted in a huge inflow of migrants from other parts of the Soviet Union.
- Following the restoration of Latvian independence in 1991 the large scale Soviet industry in Riga collapsed and an industrial structure mainly based on small service enterprises emerged. As discussed in somewhat more detail in the next section, the fall of the Soviet Union moved Riga from a strategic location within the hierarchy of the Soviet economic space to a peripheral location in the hierarchy of the European Union economic space.

Hence, the development path has been interrupted due to huge institutional changes, going twice from being part of big empire to being a small independent nation, going from market economy, to planned economy, and back to market economy. This makes it difficult to talk about one development path – there are several and maybe today's path can be seen as a continuation of the path that emerged during the first period of Latvian independence. However, it is still interesting to link the attraction and retaining factors to Riga's development path(s).

Many of the factors that today are considered being attracting and/or retaining are part of Riga's historical heritage going back to 1201. The cityscape with the Hanseatic Old Town, and the new town with its Art Nouveau buildings and parks along the canal are factors that today are highly appreciated. On the other hand many of the challenges that Riga's faces in terms of becoming a more attractive place for workers in the creative and knowledge-based industries are products of the Soviet heritage:

- The lack of tolerance towards minorities etc. are to a large extent a product of the Soviet Union which was characterised by xenophobia and homophobia;
- The difficulties in dealing with government bureaucracy and the corruption could to a large extent be attributed to the Soviet heritage;
- The problems with traffic (private and public) and the overall transport infrastructure dates back to Soviet times. Naturally Soviet city planning did not foresee the massive increase in private transport. Furthermore, housing was located in the outskirts close to the now defunct Soviet industries – nowadays creating an additional need for public transport into the city centre.
- The twenty years of economic transition has seen Riga turning from a city with heavy industries located in the outskirts to a city which to a large extent rely on the service sector which predominantly is located in the city centre.
- The economic transition has created huge differences in wealth and income.
- The Soviet system and the rapid transition that followed its collapse resulted in corruption and problems with the overall business culture.
- The rapid changes in the business environment and in the institutional framework following the economy's transition could be one explanation for the perceived importance of networks articulated by managers in the creative and knowledge-based industries.

However, the transition from the Soviet economy has also given rise to outcomes that are perceived as positive in terms of attraction and retention:

- Since the fall of the Soviet Union the population of Riga has fallen from 910 000 in 1989 to around 720 000 today. Naturally this has had a positive impact on the availability of housing – something which is reflected in the interviews.
- The closing down of the Soviet industry has left many plants empty resulting in plenty of relatively inexpensive commercial space in the outskirts of Riga.
- In terms of personal trajectories, people who visited Riga during Soviet times seem to have pleasant memories of Riga (being almost Western Europe) and as indicated in some of the interviews this might work as an attraction factor.

4.5 Position of Riga with respect to hard and soft factors

Although Riga could be considered as the regional centre of the Baltics, its macro geographical position has worsened with the fall of the Soviet Union. In the Soviet macro geographical hierarchy the position of Riga was very strong given its proximity to the Soviet gravity centre Moscow – Leningrad (St Petersburg). After the fall of the Soviet Union, Riga moved from occupying a strategic geographical location with the hierarchy of the Soviet economic space to occupy a peripheral location on the border to Russia and after the 2004 accession to the European Union a peripheral location within the hierarchy of the European Union. In other words the city's position of relative power has swapped to become a perimetric city in a peripheral region of the European Union. As discussed in the literature, see e.g. Petrakos (2000) and Coccossis et al (2005), areas that occupy geographically peripheral locations are likely to be integrated more slowly than those located close to the core. Furthermore, with the elimination of the administrative barriers with the European Union, geographical factors such as distance, accessibility and centrality emerge as important factors in the spatial organisation of economic activities.

Although being in the periphery of the European Union, Riga is (as it always has been) at the cross roads between the East and the West – this is so to say Riga's *raison d'être*. This is also acknowledged in the Riga's long-term development plan which says that the city "should promote development of an economy based on the East-to-West link". The benefit of being located in the European Union while at the same time being close to the Russian market is also mentioned in a couple of in-depth interviews.

Even though in the periphery in a European Union perspective, Riga is in a regional perspective a gravity centre of its own. Riga is often regarded as the centre of the Baltic countries. Furthermore, in many cases cooperation between other parts of Latvia as well as Estonia and Lithuania takes place through Riga.

If one were to benchmark Riga against its Baltic competitors Tallinn and Vilnius using the findings on attracting and retaining factors from the ACRE project, the following hard and soft factors would probably work in favour of Riga:

- Geographical location and having by far the best international accessibility;
- Size of the city – being the biggest out of the three Baltic capitals;
- Culture, leisure, sports and entertainment activities;
- Language skills – Russian widely spoken;
- Personal trajectories – many have pleasant memories from Riga during the Soviet times.

In this context, although fairly speculative, there are naturally aspects where Riga most likely does not score that well:

- Tolerance (Tallinn do better);
- Government red tape (Tallinn do better);
- Cost of living (both Tallinn and Vilnius do better).

Finally, it is natural to ask to what extent (if any) are there policies addressing the shortcomings of Riga as a city attractive to workers and businesses active in the creative and knowledge-based industries. To benchmark the policies (undertaken and planned) against the findings of this report, the underlying policy document to be considered is Riga's Long-Term Development Plan³ which provides a vision of Riga in 2025 as a city which aims at:

- Developing a well-educated, skilful, and culture respecting society;
- Promoting the development of an economy based on the East-to-West link;
- Promoting high-quality living urban neighbourhoods;
- Facilitating the development of high added value industries; and
- Facilitating the development of creative industries.

Obviously several of these objectives are in line with the findings on Riga in the ACRE project. However, although the Plan was accepted in 2005, very few measures, if any, that would promote the 2025 aims have yet been taken or implemented.

³ Riga City Council (2005).

5 SUMMARY AND CONCLUSIONS

This chapter will be organised as follows. The first section is devoted to the general findings of the report, whereas the section following discusses the findings in a policy context. The last section takes a somewhat more academic approach by relating the findings of the report to the literature in the field.

5.1 General findings

The underlying hypothesis of this report, as well as the previous four ones, is the notion of soft factors (in addition to hard factors) playing an important role for people as well as businesses when deciding where to locate. This idea, put forward by Richard Florida among others, see e.g. Florida (2002a, 2002b), implies that a city or metropolitan area which has a good combination of hard (e.g. infrastructure, taxes and the presence of skilled labour) and soft factors (e.g. atmosphere, geographical location, tolerance and social cohesion) will attract creative and high skilled people as well as creative and knowledge-based businesses, or in the words of Florida (2002a, p 249):

Regional economic growth is powered by creative people, who prefer places that are diverse, tolerant and open to new ideas. Diversity increases the odds that a place will attract different types of creative people with different skill sets and ideas. Places with diverse mixes of creative people are more likely to generate new combinations. Furthermore, diversity and concentration work together to speed the flow of knowledge. Greater and more diverse concentrations of creative capital in turn lead to higher rates of innovation, high-technology business formation, job generation and economic growth.

Within this context, the current report synthesised the findings of the ACRE project. In addition to the role played by hard and soft factors, the analysis pays attention to the role of personal trajectories. Examples of personal trajectories include: being born or growing up in Riga; family-related reasons; previous experience of Riga; studies at one of Riga's institutions of higher education.

As for the role of the hard factors, the findings could be summarised as follows:

- The labour market is an important attractor – in most cases the most important attractor. It also serves as a restraining factor.
- For graduates who went to Riga for studies, the labour market serves as a retaining factor.
- There are close links between the labour market (of the creative and knowledge-based sectors) and the educational sphere.

- The size of Riga is appreciated and serves as a main attractor to all target groups. To employees and graduates the city’s “big” size is appreciated, whereas to the transnational migrants the city’s “small” size and the fact that Riga is compact are appreciated features.
- The proximity to the nature is important – in particular to transnational migrants.
- Riga’s international airport and the high number of direct flights are both perceived as important factors to transnational migrants and managers alike. To transnational migrants it is more of a retaining factor, whereas to the managers it is more of an attractor.
- The infrastructure (with the exception of the airport) is rated low by all groups and could be considered as a push factor.
- The social infrastructure might act as a push factor for employees, graduates and transnational migrants alike.
- The Latvian red tape and bureaucracy definitely serves as a push factor – both for companies and transnational migrants.

The findings with respect to the soft factors could be summarised as follows:

- For graduates the cultural diversity and the diversity of leisure and entertainment act both as attraction and retaining factors.
- For transnational migrants the cultural diversity and the diversity of leisure and entertainment act as a retaining factor.
- The lack of tolerance and the negative attitude towards diversity act as factors that discourage attraction and retention.
- The attitude towards foreigners makes it less attractive for transnational migrants to prolong the stay in Riga.
- The attitude towards foreigners also makes it less attractive to migrate to Riga – in particular when combined with the bureaucratic hurdles facing non-EU transnational migrants.
- The prevalent business culture in Latvia discourages attraction and retention.
- To Latvians the city atmosphere and the quality of life in Riga could be considered as attraction factors as well as retention factors.
- To transnational migrants the city atmosphere and quality of life merely serve as a retention factor. The simple reason for why these aspects do not serve as attraction factors as well seems to be that very few transnational migrants were aware of these virtues prior to moving to Riga.
- Riga is considered to be a safe city by the transnational migrants, whereas the “locals” are of a different opinion.

Furthermore, the research within the ACRE project showed that the role of personal trajectories play a (surprisingly) big role when it comes to the decision where to locate (both as an individual and as a business owner), i.e. the personal trajectories seem to play an important role as attractors. This holds for employees, graduates and managers as well as for the transnational migrants. To the employees and managers the fact they were born/grew

up/went to Riga for studies played an important role in the decision where to locate. For the transnational migrants, family/marriage served as an important attractor. The role of the personal trajectories will be discussed in further detail in the final section of this chapter.

To conclude discussion of the role of hard and soft factors and of personal trajectories when it comes the decision where to work or live, or where to locate a business, it is apparent that the main attractors mainly belong to the categories of hard factors and personal trajectories. The soft factors, on the other hand, mainly serve as retention factors. The push factors, i.e. factors discouraging people or business to come to Riga or encourage them to leave, are to a large extent soft factors. In many cases these are soft factors that could be seen as part of the heritage of close to 50 years of Soviet occupation. Examples include corruption and intolerance towards minorities.

5.2 Policy implications

The findings of the ACRE project in general and of this report in particular naturally have a bearing on the policy undertaken by the Riga City council to promote economic growth and development, in particular in the creative and knowledge-based sectors of the local economy. The vision of Riga in 2025 as manifested in the Riga Long Term Development Plan envisages Riga as a city characterised in the following way:

- A well-educated, skilful, and culture respecting society;
- An economy based on the East-to-West link;
- High-quality living urban neighbourhoods;
- An economy where the high added value industries and creative industries play an important role.

Hence, the research agenda of the ACRE project has a definite bearing on the city's vision and accordingly on its policies. In this context, the results of the research undertaken in this and previous reports show that Riga has quite a long way to go to reach its objectives in 2025. Furthermore, as discussed in the previous section, the research on Riga within the ACRE project has shown that this is particularly the case when it comes to the soft factors. To the policy maker this is troublesome since it is in most cases "easier" to change hard factors. Soft factors such as tolerance, government red tape, business practice and corruption, i.e. factors where Riga score badly, cannot, with the exception of government red tape, be changed over night through various policy measures. This implies that for Riga to be successful in terms of attracting people as well as businesses active in the creative and knowledge-based sectors these issues have to be addressed and explicitly dealt with in the policy discussions both at the local and national level.

On the other hand, the soft factors mainly serve as retention factors. However, there is nothing precluding them from being attraction factors as well were they properly communicated. For example, why cannot the proximity to nature or the highly appreciated cityscape be attraction factors as well? To the policy makers this poses a challenge in terms on how to strengthen the

implementation of the long term strategy of Riga building on the virtues of the city – in particular exploiting the potential of the positive soft factors, both as attraction and retention factors. This requires an active policy in terms of communicating the virtues of Riga. However, it is important to keep in mind that at the same time issues related to the hard factors, in particular infrastructure and traffic, have to be addressed in order to develop Riga in the desired direction.

As a metropolitan area Riga is not alone in the region. The two other Baltic capitals, Tallinn and Vilnius, are both roughly 300 kilometres away and can be easily reached by car within somewhat more than three hours. Accordingly Riga, although being the biggest city of the three, faces competition from the two others when it comes to attracting workers as well as businesses active in the creative and knowledge-based sectors of the economy. A slightly speculative comparison reveals that Riga probably score better than its competitors when it comes to several hard factors including geographical location, size of the metropolitan area, the offerings in terms of culture, leisure, sports and entertainment activities. Furthermore, in terms of language Russian is more widely spoken in Riga than in the two other capitals – something which should be of importance in terms of attracting people and businesses from the neighbouring non-European Union countries. On the other hand, there are aspects where Riga most likely scores worse than its neighbouring capitals. These include soft factors such as tolerance and government red tape where Tallinn probably does considerably better. There are other factors such as the cost of living where both Tallinn and Vilnius do better.

5.3 Suggestions for further research

Although based on a small sample just covering one metropolitan area there are some findings in the ACRE research on Riga that deserve further research since they, at least to some extent, challenge some of the views put forward in the literature. The findings are mainly related to the role of the soft factors and should be contrasted with the ideas put forward by in particular Richard Florida (see the discussion above).

In addition to down-playing the role of soft factors, in particular when it comes to their role as attractors, the research undertaken has high-lighted the role of personal trajectories – both when it comes to the decision where to work and live and the decision on where to locate a business. Although the personal trajectories to a large extent could be perceived as a function of hard as well as soft factors they deserve an analysis of their own. In particular since there is a certain individual path dependence associated with them. To illustrate: an individual who has studied in let's say Riga seem to be more likely to set up a business there. This is of course a function of his/her choice to study in Riga (personal trajectory). The choice where to study was, however, most likely a function of various hard and soft factors, e.g. availability of institutions of higher education and the city's offerings in terms of leisure activities.

The notion of personal trajectories suggests that the previous experience of a place might play a decisive role in terms of deciding where to locate or where to establish a business. Given the European Union's various measures to increase mobility as well as taking away the barriers

restricting mobility, it seems reasonable to assume that the importance of personal trajectories might increase over time.

To conclude, the research undertaken on the workers, graduates and managers active in a subset of the creative and knowledge-based industries in Riga, provides us with the following hypotheses that should be investigated further:

- Hard factors play a pivotal role when it comes to the individual creative or knowledge-based worker's decision where to locate.
- Personal factors/trajectories are more important than soft factors (cf. Florida's discussion).
- Soft factors are less of attraction factors and more of retention factors.
- Personal trajectories play an important role.
- The increased importance of personal trajectories has resulted in: (a) an increased heterogeneity among the transnational migrants; (b) a tendency to stay longer or even permanently in the foreign country.

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