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Does Shrinking Population in Small Towns Equal Economic and Social Decline? A Romanian Perspective

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Abstract: Sustainable development has been a global concern worldwide for the last decades now, but only recently have the challenges faced by small towns, especially in regions experiencing population contraction been addressed. (1) Background: This article delves into the case of Romania, a country in Eastern Europe that has witnessed significant demographic, social and economic changes in recent decades. Population contraction in small towns can significantly impact their future development. (2) Methods: The research was conducted in three stages: first, we selected relevant demographic, economic, financial and social indices (16 in total), then we analysed their changes over time, and forecast their values based on statistical data to assess economic development sustainability for 215 small towns with less than 20,000 inhabitants. (3) Results: Following the aggregation of the quantitative indicators and the demographic changes, we identified four categories of small towns. (4) Conclusions: the study underlines the importance of adopting proper policies targeting small towns in Romania to ensure their long-term viability by implementing targeted policies and strategies such as incentives for local businesses, improving educational and healthcare facilities, and promoting entrepreneurship. The ultimate goal is to mitigate the adverse effects of population contraction and pave the way for more sustainable and resilient communities.

Keywords: small towns; population shrinking; sustainable towns; Romania

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1. Introduction

Until recently, small towns were seen only as appendices of hierarchical urban systems pivoted on large high-density urban cores [1]. Hence, they were a less researched topic [2–6] despite 'the complexity of multi-scalar dynamics and the variety of regional/national contexts' [7], (p. 367). Lately, the role of small towns in less urbanized regions has been largely acknowledged as a key element of the urban structure [7–10] being a particularly European feature of the urban mosaic [11].

Previous studies have confirmed that the role of small towns at local level is greater than their demographic and economic potential [12], since they are largely responsible for an entire region's trajectory and especially the rural area, i.e., they shrink in the long term or stabilize since they provide anchor functions [6] and anchor points for new developments [9]. From this point of view, 'smallness can be more productive thought in terms of influence and reach, rather than population size' [3]. However, their role is not undisputed [9,13] and they are often a neglected element of rural landscapes [5]. Moreover, the needs, challenges and opportunities for small towns are extremely varied, which means it is quite difficult to develop coherent polices to address them [14]. Hence, these small towns in the rural periphery have been called 'the chronic patients of regional policy, constantly in need of care but never getting well' [15].

Following Christaller's Theory of Central Places (1933), a great emphasis was put on the importance of small towns as distribution centres for goods and services to their

rural hinterland. Even if their functions for the hinterland have changed over time [16], small towns still provide access to education, health, retail, banking and other professional services [12,17,18]. A recent study focusing on data from social media platforms further confirmed that Christaller's theory still accounts for the provision of central functions, central functions concerning various goods or services having different ranges [19]. Consequently, centrality seen from the functional perspective has been an important attribute for the attractiveness of small towns [20]. They have a major role in servicing rural residents in the hinterland villages, especially regarding goods and healthcare in the less developed areas [21].

Since small towns have faced decades of social and economic restructuring, the availability of local services such as health, education, infrastructure as well as retail that provided a crucial foundation for daily activities has changed, sometimes with dramatic reductions [22].

During the last decades, the role and trajectory of European small towns was considerably different based on their location—either within metropolitan areas or in the rural periphery. In general, the former have benefitted from their location because they either serve as residential zones for the people working in the larger cities or due to the fact that commercial, logistic and sometimes industrial functions of the larger cities were relocated here [23,24]. However, even if they gain population, they lose central place functions faster than their peripheral counterparts [25]. For the population living in the rural areas and especially remote locations in the hinterland, educational and social facilities in the small towns are very important; these small towns in peripheral regions are unquestionable centres of their hinterland despite lack of investment [18]. Moreover, there are instances when small service towns in peripheral areas are often better supplied with shops and services than those located in metropolitan areas [25], small towns still providing an important place for shopping, as much as 40 to 60% of the hinterland housing purchases taking place in towns [26].

Among the demographic problems that small towns in Central and Eastern European (CEE) countries are facing, depopulation due to out-migration and falling birth rates as well as population ageing are the most severe. This gradually impacts the education system, leading in the end to school closure, as well as loss of social capital [27]. Urban shrinkage has affected both larger cities and small towns, equally in the more advanced economies and developing ones. However, the phenomenon is more severe in post-socialist countries, where almost half of the cities are shrinking [28]. The main drivers for urban shrinkage include economic decline (mainly de-industrialization in non-competitive sectors), demographic change due to falling birthrates and outmigration, suburbanization, structural upheaval (economic reorganization collapse of an entire political system) and environmental pollution [29]. The individual trajectory of urban shrinkage is influenced by particular government arrangements operating on different spatial levels and through time, having direct consequences such as the underuse of infrastructure or decreasing tax revenues [30].

Local leadership and local entrepreneurs have proven to be key agents for local change [14] due to their potential for increased economic activity. However, small towns also face considerable challenges compared to larger cities such as limited access to resources, fewer customers, poor infrastructure [31].

In order to survive and thrive, towns must improve the quality of life for their inhabitants and the population in the rural areas surrounding them which will render them more attractive for both the population and investors [32]. However, depopulation leads to increased local government spending and under-utilization of the existing infrastructure, thus affecting associated costs/expenditure [33,34]. Universal access to water and sanitation is one of the sustainable development goals of the UN [35], so a great focus should be placed on small towns, since they still have large rural characteristics in CEE countries. But this is no easy task, because declining demographic and economic capacities limit the possibilities for financing water infrastructure development and maintenance [36]. The shrinking base of contributors in small towns cause the urban institutions to assume the

role of private investors, putting a great strain on their financial abilities [20]. The burden for health care and social welfare increases, health and education being strongly connected to social disadvantage [37].

In light of all these issues that small towns and larger cities alike have been facing, a key concept has been proposed for the abilities or difficulties of small towns to cope with economic restructuring—resilience, which appears to be strongly linked to the towns' 'ability to understand changes, to intercept crisis, to enter new processes and to emerge from lock-in situations' [38]. In urban contexts, this capacity stems from the general ability to resist shocks, allowing for a creative change and adaptation [39]. Resilience is a broad concept, hence there are a multitude of dimensions addressed by researchers from various fields [40], the social, economic, institutional, infrastructural and environmental dimensions being the most frequently addressed in the literature, as well as community capital, population and demographics, cultural and health dimensions, which are key components of sustainability [41]. Previous research has emphasized that smaller settlements throughout Europe do not have uniform spatial behaviour, nor do they face the same socio-economic problems [42], often forming dissimilar groups of towns in varied regional contexts, be it at national level or within a country [8]. Moreover, studies must go beyond the demographic processes, focusing on economy, infrastructure and investments as well [6], so as 'to find evidence to corroborate or refute their alleged capacity to trigger development or to act as centres of regional extraction' [13].

Although there was a surge in quantitative and qualitative studies at national scale regarding small towns in Romania during the last two decades, the overall picture of Romanian small towns is still fragmented. Previous research has generally focused on the shrinking of Romanian cities in general, while only partially addressing small towns [39,43–46]. Other studies dealt with the issues that small towns face following deindustrialization and economic restructuring [43,47–52]. There have also been discussions on the rural character that many of these small towns still preserve [53–56] as well as regarding their peripheralization [47,57–59]. Given this context, the current paper addresses the development paths for small towns in Romania, considering demographic, economic, financial and social indicators for the last decade, based on which a forecast for the next decade is made. It provides a quantitative national assessment of small towns, a topic which must be brought back on the list of priorities regarding national and European policies [4,6], focusing on two main questions:

Q1. What types of towns can be identified based on their demographic, economic and social evolution?

Q2. How does the demographic contraction in small towns impact economic and social development?

Following a presentation of the context of Romanian urbanization processes and dynamics regarding small towns, the next section describes the datasets and methods used followed by the results showing the changes registered by the 215 small towns that were analysed from the demographic, economic, financial and social point of view. The Discussion section addresses these findings in relation to the sustainability of these towns and the need for proper policies.

2. Materials and Methods

2.1. Contextualizing Small Towns in Romania

Romania has been one of the European countries with a low degree of urbanization throughout the 20th century, for the first half of it less than a quarter of the population living in urban settlements. The structure of the Romanian urban system is the result of central-based inter-settlement relations and historical conditions [60].

More than half of Romanian towns appeared during the communist period [56], the state having full control of the urban system [61], the party viewing urbanization as a means for social modernization [62]. Increased urbanization was triggered by extensive industrialization [60], which led to a new and most representative type of urban settlement

in Romania—the industrial town [49]. Small towns have been severely impacted by the communist regime, which only focused on their industrialization, paying little attention to urban infrastructure [58] and the transformation crisis that followed, leading to the loss of industrial functions and ruralisation [54]. The situation in Romania and elsewhere in Eastern Europe had some peculiarities: socialist hyperindustrialization together with agriculture collectivization supported the new social architecture targeted by the Party [63], the national identity and top-down public planning being entwined [64]. Forced urbanization had only a quantitative component, leading to an artificial increase in the number of towns and the urban population, since from a qualitative point of view the infrastructure was much poorer than in larger cities [60,63,65]. Habitation conditions, despite initially offering an upgrade for rural migrants, subsequently failed to offer their inhabitants the comfort and quality of habitation associated with the urban lifestyle [66], leading to the so-called 'socialist-type urban structures' [63].

A higher share of urban population was a prerequisite for joining the European Union; no longer counting on rural exodus or high birth rates to ensure a rapid increase in the urban population, the only option was to declare new towns. Another reason was to eliminate the identified urban void areas; consequently, a number of communes with the role of local pole development settlement and a population over 10,000 inhabitants (at least theoretically) were declared towns. Thus, after 2000, 57 new towns appeared, 48 of them classifying as small towns. It is worth mentioning that most of them (34 towns) had less than 10,000 inhabitants.

The number of small towns in Romania has increased considerably during the last three decades from only 111 in 1992 to 215 in 2021. Most of them (33) are found in the Central Development Region, while the South-Eastern Region has only 23 small towns. The population of these towns has been continuously decreasing, so much so that 116 towns now have less than 10,000 inhabitants, which is the minimum threshold for an urban settlement according to Romanian legislation [67]. The analysis of available demographic data indicates the fact that in 2011 there were 18 towns with a population lower than 5000 inhabitants and their number grew to 25 in 2021 underlining a continuous demographic decline. There is a general tendency of demographic decline and ageing, with some exceptions [68]. The smallest town is Băile Tușnad with barely 1300 inhabitants in 2021, with a population loss of almost 20% in only 10 years. Most of these towns show patterns of inequality and deprivation [58], and usually have rather rural features [53,55,58,69].

Not only is the demographic potential rather low, but small towns rarely contain a single compact urban core (only 20%); from the administrative point of view, small towns usually include several settlements—the town proper and several pertaining villages, which are sometimes located more than 10 km away from the town proper and have mostly rural characteristics [67]. Many of these villages have experienced a sharp decrease in population during the last 30 years; consequently, at present their populations vary from only several inhabitants (Figure 1) to several hundreds. In many cases, over half of the population of small towns lives in secondary built-up areas and rural settlements that from the administrative point of view are part of the towns [67,70].

Population loss, despite severely affecting many settlements, was disregarded as a specific problem for the urban realm, successive governments acknowledging it as a national trend that also impacted the cities [71]; hence, national urban policies have paid little attention to key urban development topics such as human and economic development [72]. Moreover, policies for the small towns have been incoherent and inefficient, adding to economic disparities [58]. Lately, however, the government acknowledged that both small towns and medium-size cities registered a dramatic population shrinking and a fragmentation of the urban footprint, which means that development strategies must be reconsidered so as to target these specific towns, rather than ignoring the demographic shrinking [67], the current crisis being a challenge for the future of the country [73].

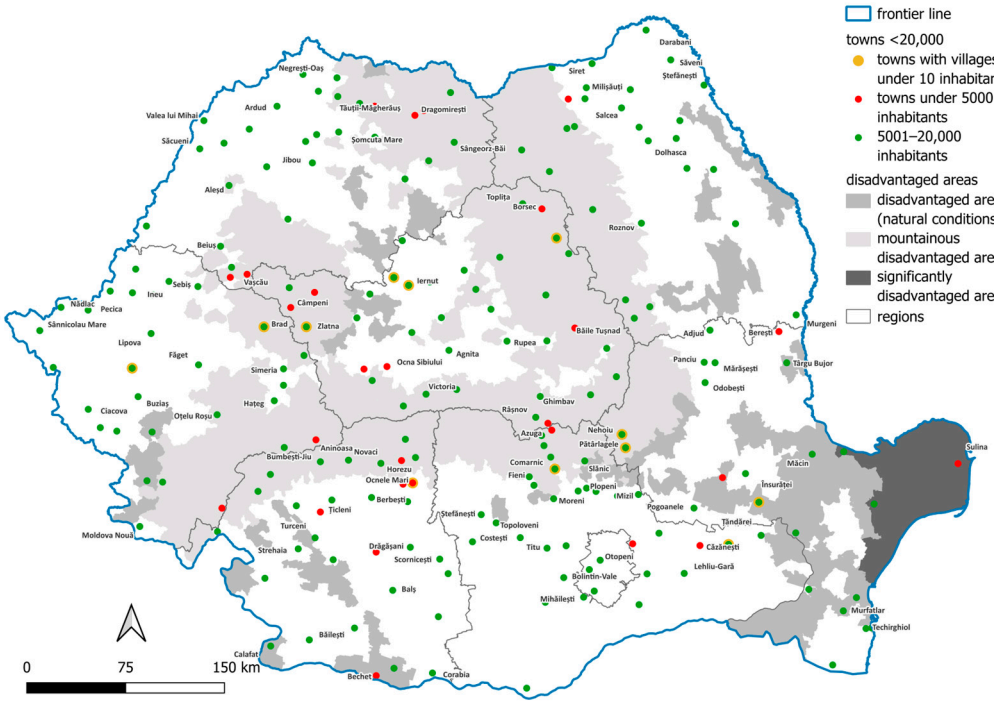

Figure 1. Distribution of small towns in Romania (2021).

2.2. Research Design

For the current study, we considered small towns as those having less than 20,000 inhabitants [6,18,56,67,70]. According to this criterion and the data published by the National Institute of Statistics (NIS) for the year 2021, there are 215 small towns, which fall into the second and third category of settlements according to the DEGUBRA classification used by Eurostat, namely towns/areas with intermediate densities and thinly populated areas/rural areas (mainly the towns having less than 10,000 inhabitants).

The analysis was performed in three stages. First, an extensive literature review of shrinking cities and resilience capacity yielded several dimensions and indicators that were taken into consideration when analysing the shrinking phenomenon. Based on the literature review and the main criteria listed by Romanian legislation (Law 351/2001), we selected 16 indices highlighting four main dimensions (Table 1), intended to be as comprehensive as possible, that met the criteria of relevance, consistency and availability for the research topics: demographic, economic, financial and social dimension. Population decline is one of the main indicators of urban shrinkage, but just the loss of population does not cover the various aspects of shrinkage [74]. Urban shrinkage occurs due to the interplay of economic, demographic and political change [75]; unfortunately, indicators related to economic changes (companies, services) are more difficult to gather [76], hence we focused on those for which data were available and that could also ensure comparability. Information on the actual budgets for Romanian municipalities was also researched for an overview of sustainability and flexibility [33,77,78]. The selection of the explanatory variables for the financial dimension was limited by the availability of the relevant data. Secondly, we analysed changes of the indicators' values over time (2011–2021 period) and finally made a forecast for 2031 using the statistical data available for all indicators. The forecasted values were obtained using Microsoft Excel's FORECAST.ETS function having as input the yearly values available for the 2011–2021 period. The years 2011 and 2021 were selected because population censuses were also organised. The results were used to make a prognosis about the evolution trend of small towns in regard to their ability to sustain economic development in relation to the demographic change.

The existence of numerous indices and subsequent dimensions makes the evaluation of small towns' trajectories rather difficult; in this context, during the third step, we chose

to use a composite index, including the four dimensions and 16 indices mentioned above. For this purpose, we paid attention to several methodological issues raised in the literature: using unbiassed aggregation techniques, scaling and weighting variables [79–81]. Several dimensions and a larger number of indices was highly necessary for developing a composite indicator [70,82].

The geographic support that includes the boundaries of LAUs and descriptive attributes (names, SIRUTA codes—national identifiers for administrative units, hierarchical relationships, unit types) was downloaded from the official website of the Romanian National Agency for Cadastre and Real Estate Publicity. Official data on small towns were gathered from the National Institute of Statistics database and the Ministry of Regional Development (MRD).

Table 1. Indices used in the assessment.

Dimension	Indicator Name	Description	Data Source	References
Demographic	Population change	Change in the number of people during a period of time	NSI	[6,14,39,44,55,57,70,83–86]
	Population ageing	Share of the elderly (65 years old and over) in the total population	NSI	[34,39,43,56,58,70,83,87–91]
	Demographic dependency	Number of the young (0–14 years) and old persons (65 and over) per adult population	NSI	[43,84]
Economic	Density of active companies	Number of active companies per 1000 inhabitants	NSI	[34,44,58,92]
	Entrepreneurial capacity	Ratio between the total number of newly created enterprises and the number of inhabitants	NSI	[31,93]
	Turnover per capita	Ratio between the total turnover of active non-trade companies with headquarters in the town and the total number of employees of active enterprises from the same existing fields of activity	NSI	[44,87,92]
Financial	Investments from the local budget	Share of investments in the total expenditure from the local budget	MRD	[34]
	Own income to the local budget per capita	Own local budget is made up of own revenues from taxes, fees, contributions, other payments, broken down income tax quotas	MRD	[34,44,77,78,94,95]
	Staff cost	Share of the expenses covering the cost of staff in the local administration in the total expenditure from the local budget	MRD	[78,95]
	Expenses for health	Share of expenses for health in the total expenditure from the local budget	MRD	[34]
	Expenses for culture and leisure	Share of expenses for culture and leisure in the total expenditure from the local budget	MRD	[34]
Social	Number of doctors	Number of doctors/1000 people	NSI	[40,58,70,87]
	Share of streets with water supply	The share of streets with water supply in the town street network	NSI	[34,58,96]
	Share of streets with sewage system	The share of streets with sewage systems in the town street network	NSI	[34,70]
	Share of streets with gas network	The share of streets with gas network in the town street network	NSI	[34,70]
	Share of modernized streets	The share of streets that were modernized in the town street network	NSI	[39,55,58,70,87,96]

The main part of the calculations was performed using Microsoft Excel. Population growth was computed as percentage from 10 to 10 years. For 2011, we extended the data set to 2001, using the same data source. For the revenue indicator the values were normalized to the interval 0...1 using the formula:

$$z_i = 2 \times ((x_i - x_{min})/(x_{max} - x_{min})) - 1,$$

where:

z_i is the resulted normalized value;

x_i is the value of the indicator;

x_{min} is the minimum value of the indicator from the entire observations;

x_{max} is the maximum value of the indicator from the entire observations.

We divided all indicators by 100, except the above-mentioned revenue indicator, to constrain their values to the same 0. . .1 interval, in order to be compatible for a simple aggregation. It is worth mentioning that, although the definition of most eDemos-sourced indicators implies a percentage value, there are cases where they exceed 100 (%)—we left these values as they were.

The composite index was calculated as an average of the resulting values for the economic, financial and social indices. To be properly taken into account in the overall average, the indicators with negative significance (elders' percentage and personnel expenses) were multiplied by −1. For 2031, we forecast values for all indicators (using existing values for range 2011–2021). The resulting values of the index were divided into four quadrants based on two coordinates: the composite index (on the x axis) and population growth (on the y axis). The quadrants equate to four categories of small towns: sustainable growing towns (the values of both composite indicator and population growth are positive), resilient towns (the values of the composite indicator are positive, while population is shrinking), transitional towns (the values of the composite indicator are negative, while population is slowly growing), unsustainable towns (the values of both composite indicator and population growth are negative).

Before mapping the results, we simplified, corrected and extended the initial geographic data. A comprehensive database was built as a GeoPackage, containing both geometry information tables and plain data tables. Data were processed with SQL queries and views using QGIS, DBeaver and DB Browser for SQLite, both with the mod_spatialite extension loaded. Data processed in Microsoft Excel were imported into the database from intermediate CSV files. We used QGIS to generate maps, including various symbology expressions. Query-based layers were used to represent the shortest paths from small towns to the nearest county administrative centre/city over 50,000 inhabitants. This representation was performed to see if there is a connection between the spatial distribution of small towns depending on their type and their proximity to a municipality/bigger city.

3. Results

The analysis of small towns in Romania by correlating the aggregated economic, social and financial indicators to population growth reveals a complex and nuanced picture of their sustainability and growth potential. Following the aggregation of 16 quantitative indicators on one hand and the demographic characteristics on the other hand, we identified two categories of small towns for the period 2011–2021, namely sustainable towns and resilient towns.

Sustainable towns are those that have registered a positive demographic trend, both in term of population growth and ageing, albeit not very high (up to 0.23 in 2011 and 0.54 in 2021), as well as increasing values of the index aggregating the economic, financial and social indicators, which varied between 0.06–0.98 in 2011 and 0.12–1.43 in 2021 (Table 2). The second category, resilient towns, refers to those that despite a negative demographic trend (−0.44–−0.01 and −0.18–−0.01, respectively), marred by decreasing population and an increasing share of elders, have managed to improve their economic and social performance, the composite index varying between 0.04–0.61 in 2011 and 0.04–1 in 2021.

However, for some of the towns, the economic and social progress has been slow and low: few investments in major projects, if any, slow pace of improvements in infrastructure and low entrepreneurial capacity, fewer active companies; consequently, for the next decade, two more categories are forecasted: crisis towns, due to negative values predicted for both the demographic component (up to −0.20) and the aggregated index (which is predicted to decrease to −3.68 for Baia de Aries or −3.45 at Ocna Mures), and transitional towns, which are at a crossroads, with very low demographic growth (0–0.06) and also insignificant improvement for the aggregated index (−0.09–−0.02). Based on the classification of small towns into four categories, it is evident that a significant number of small towns are facing challenges in maintaining their critical demographic potential, central functions and economic development (Table 2).

Table 2. Classification of small towns in Romania.

Year	Type	Number of Towns	Share of Towns (%)	Range Values of Composite Index	Range Values of Population Growth
2011	sustainable growing towns	70	32.56	0.06–0.98	0–0.23
	resilient towns	145	67.44	0.04–0.61	−0.44–−0.01
2021	sustainable growing towns	40	18.60	0.12–1.43	0–0.54
	resilient towns	175	81.40	0.04–1	−0.18–−0.01
2031	sustainable growing towns	38	17.67	0.06–1.14	0–0.06
	resilient towns	167	77.67	0.07–1.16	−0.30–−0.01
	transitional towns	2	0.93	−0.09–−0.02	0–0.06
	crisis towns	8	3.72	−3.68–−0.04	−0.20–0.06

Source: based on authors' calculations.

The analysis of small towns in Romania over a period of twenty years indicates a correlation between population growth and the improvement or worsening of their economic status characterized by the fluctuation of the values of the considered indicators. If in 2011 there were 70 small towns included in the category of sustainable growing cities, their number decreased to 40 in 2021. Based on available statistical data, forecasts show that this decrease will be lower in 2031, the number of sustainable towns being estimated at 38. Most of these sustainable towns are located near the county administrative centres (42% at less than 20 km) or at average distance (20–40 km, 47%), while none of the isolated towns (located at more than 60 km from the county administrative centre) are included in this category. Among the small towns with population growth, those near Bucharest and the largest regional economic centres have the best demographic performance. Interestingly enough, more than a third of these sustainable towns are not included in any functional urban area (FUA) and another third have their own FUA, the rest being part of a larger FUA including the county administrative centres or in Bucharest metropolitan area.

The largest number of small towns, in all three years, are included in the second category—resilient towns, where despite the decreasing population trends, the values of the composite indicator remain positive, varying between 0.04–1. In 2011 and 2021 there are only two categories, with different shares (Table 2, Figures 2 and 3), while the estimations for 2031 include all four categories (Figure 4).

The connection between population growth and variation of the class where towns were included can be explained by several factors like:

- Economic opportunities—as their populations declined, small towns have generally experienced reduced economic activity caused by lack of investments and employment opportunities, leading to a decline in the overall economic and social health of the community. This can result in lower composite indicator values;
- Migration trends—as population decline in small towns is partly caused by outmigration to larger urban centres or other regions with better economic opportunities. This

is the case of small towns located near a bigger city, and especially the county administrative centre (Figure 5). This can create a cycle of decline, as shrinking population further reduces economic and social opportunities, leading to continued outmigration.

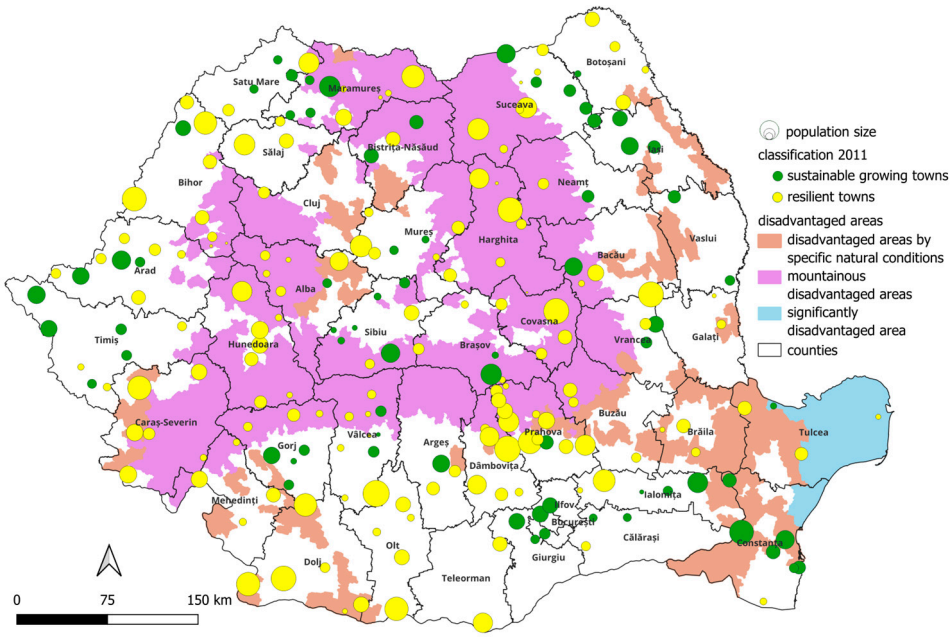

Figure 2. Spatial distribution of small towns by type (2011).

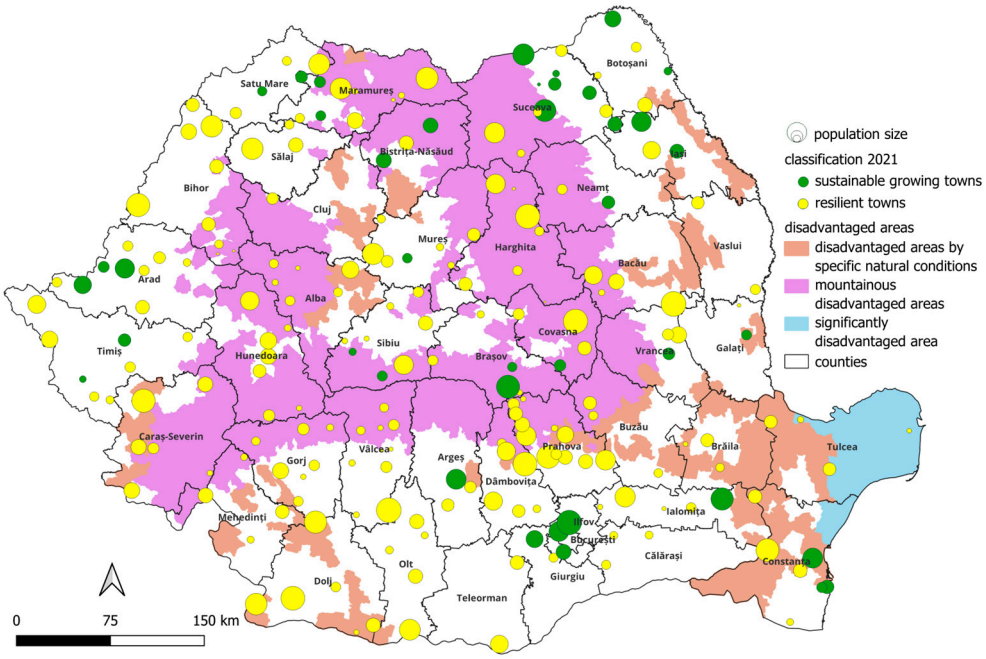

Figure 3. Spatial distribution of small towns by type (2021).

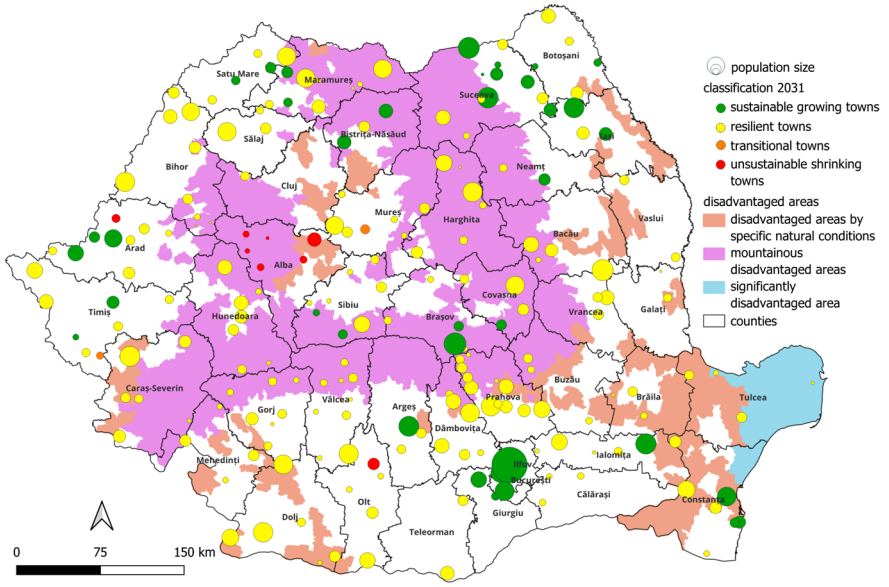

Figure 4. Spatial distribution of small towns by type (2031).

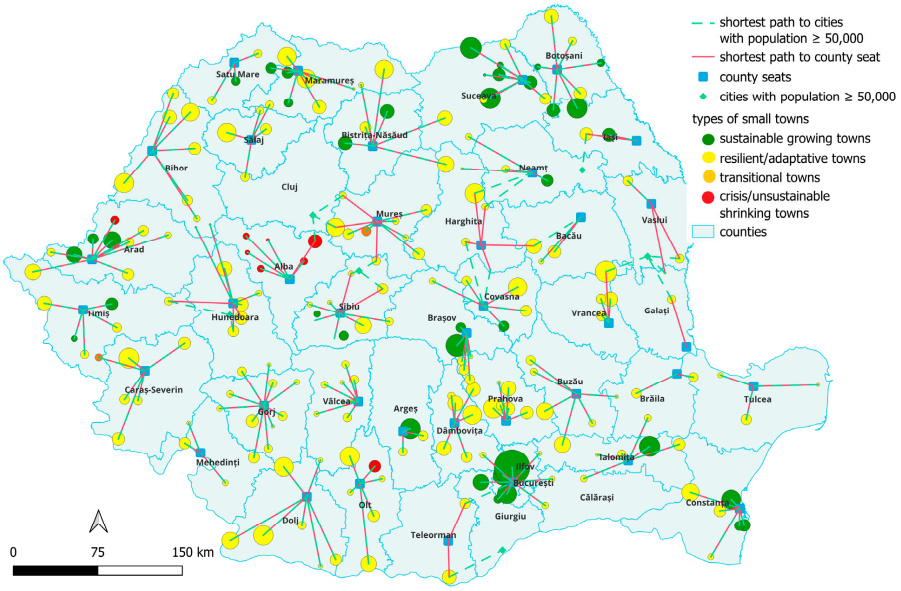

Figure 5. Distance to county administrative centres or cities with more than 50,000 inhabitants.

Of the 215 small towns analysed in the present study, 60 changed their category from 2011 to 2021, of which the vast majority registered a worsening of the overall situation (mainly small towns in Sibiu, Alba, Timiș and Gorj counties), while only 10 saw an improvement (mostly in Suceava and Botoșani counties), according to the estimated values for population growth, economic, social and financial data (Figure 6).

The spatial distribution of small urban settlements that changed their classification indicates changes toward a declining trend all over the country, except for the north-eastern and south-eastern parts (Figures 2 and 3). For the estimated values in 2031 (Figure 4), a clustering of towns in crisis was noted in Alba (six out of the seven small towns), which during the 2011–2021 period had the lowest scores for the composite index of all the analysed towns, and transitioning ones in Mureș and Timiș counties. In each of these three counties, there are six towns that change their category.

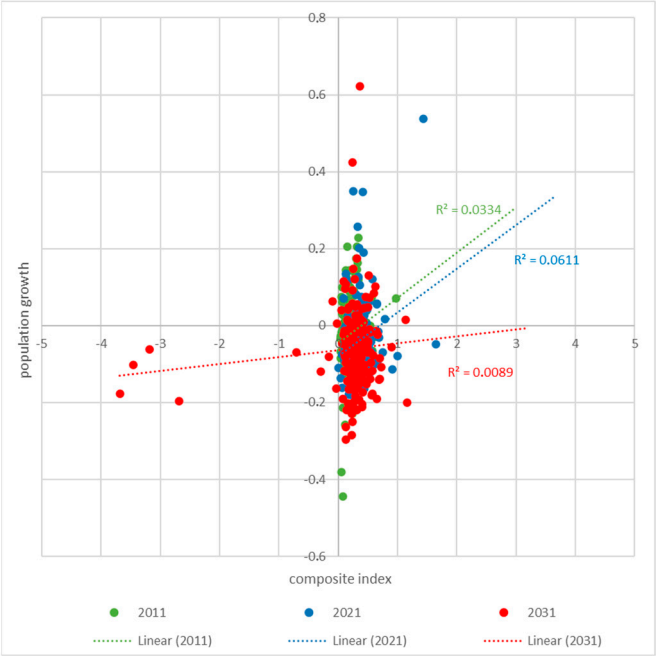

Figure 6. Scatter plot of small towns in Romania by type (2011, 2021, 2031 forecasted values).

Crisis towns, registering a decrease for both the population and the composite indicator, are not always located far away from the county administrative centres, in the mountainous area or outside functional urban areas; they have generally performed above the average in terms of economic indicators (density of active companies, entrepreneurial capacity and turnover per capita from non-commercial activities), which only proves the role of proper management and policies targeted toward economic and social development.

4. Discussion

One of the main questions this study tried to answer was related to the impact of demographic shrinking on the economic and social development of small towns in Romania. Overall, comparing the two periods, 2001–2011 and 2011–2021, two main characteristics stand out for the demographic component: while the number of small towns with a decreasing population increased by 14%, the outliers shifted; although there are more towns with decreasing population, the rate has slowed down considerably, whereas for the towns with positive growth, the growth rate has picked up (Figure 6). Although there are only a few such cases, it proves that the situation may shift in the future given the right strategies. The ranking for the aggregated index is rather dynamic, many of the top performers in 2021 gaining many positions in the general ranking, while some of the towns that registered some of the highest scores in 2011 have not made significant progress during the next decade. In 2021, the highest scores for the aggregated index were mainly registered by towns with decreasing population, located at a distance of 20–40 km from the county administrative centres.

Regarding the newest towns, if in 2011 most of them (60%) were sustainable, registering an increase for both the demographic component (2001–2011) and the aggregate index, in 2021, only about a third still had the same positive dynamics. Twelve of these new towns witness a population decrease and increased ageing, while still managing to improve their economic, financial and social features, thus shifting to the category of resilient towns. However, for 2031, two small towns that fall into the category of crisis towns (Baia de Arieș and Teiuș) and the two from transition towns (Ungheni, Gătaia) are among the newest ones. Still, most of the new towns which had a clear agricultural profile (some had more than 75% of the active population working in agriculture and other activities from the primary sector) [69,70] have improved their performance during the 2011–2021 period compared to

the previous one in terms of the financial, economic and social indicators considered, and in some cases registered a positive, albeit low, demographic trend. Consequently, between 2011 and 2021 they changed from resilient to sustainable.

It is worth mentioning that while the highest densities of active companies are found in the small towns in the metropolitan area of the capital city or some major county administrative centres, most (62%) of the small towns scoring higher than the average density of active companies are not included in any functional urban area and almost a quarter are located at more than 40 km away from the county administrative centre. The same was found for the entrepreneurial capacity and the turnover per capita from non-commercial activities, which are important indicators for the efficiency and productivity of the employees and the companies. The density of active companies is a relevant indicator for the measures taken by the local administrations for local economic development, considering the future need for creating new jobs for the workforce and increasing revenues to the local budget (eDemos).

Out of the 215 small towns that we analysed, 28 include tourist resorts of national importance, which could give them an advantage. Our analysis indicates that these tourism towns have a lot of difficulties: almost a third have registered some of the worst demographic growth from the 215 analysed towns, including traditional, well-known resorts such as Bușteni, Predeal and Sinaia in the Prahova valley, one of the main tourism destinations in the country. Only five of them have registered a demographic increase, including both traditional resorts and some of the most recent ones. More than a fifth of these towns have some of the lowest average index among the entire analysed sample, testifying to the fact that local authorities in some of the traditional destinations such as Băile Olănești, Borsec, Slănic have done little to capitalize on this function, with only slight to no increase in the share of modernized streets and water supply and a cut-back in the budget for leisure and recreation. The performance of the private sector is also poor, with some of the lowest entrepreneurial capacity and density of active companies among the tourist towns. The best performers are some smaller and somewhat new resorts (Pucioasa, Băile Tușnad and Buziaș), followed by some well-known, traditional resorts such as Busteni, Predeal and Techirghiol, where there was significant progress regarding the technical infrastructure.

A proper technical infrastructure is a must for any settlement with urban status, and the Law no. 351/2001clearly states the thresholds for each criterion. However, as was already pointed out by numerous researchers [55,56,69,97], these criteria were seldom fully met by the small towns. When comparing their progress for the 2011–2021 period, on the average there is an improvement of the situation, with highest increases for the share of sewage systems (+25%) and more modest ones for modernized streets (+12%) and water supply (+10%). In reality, most of the towns have made little to almost no progress: about a third of the small towns have no increase for the sewage system, and for almost a fifth of the towns no improvements regarding the share of modernized streets, while in less than a quarter of the small towns there were significant improvements. Although towns with poor improvements regarding the technical infrastructure are spread throughout the entire country, there are two regions that stand out due to the much higher number of towns than their counterparts, namely the North-Eastern (Suceava and Botoșani) and Western Development regions (Caraș -Severin and Hunedoara). A third of these towns were declared urban settlements after 2004. It must be said that the data that are currently available refer to the share of sewage system, running water and gas distribution in the total of modernized streets. When the information about the number of households with sewage and running water gathered in the population census in 2021 is publicly available, some of these indicators might slightly change, (hopefully) showing a better situation in some of the small towns. A proper urban infrastructure is highly needed for people to be motivated to remain in a particular town or move there, since nobody wants to live in a 'town that seems to be decaying' [98].

Unlike the situation in other countries where the main issue stems from the shrinking population which leads to lower revenues for infrastructure maintenance [36,95], the problem with the technical infrastructure, mainly water supply and sewage, is usually related to its absence from whole neighbourhoods or just some parts of the town, usually the poorer ones and those inhabited mainly by Roma people [99,100], the access to running water and sewage greatly depending on the inhabitants' revenue, some of them choosing not to apply to connect to the system in the case where it is newly built, others being disconnected because they can no longer pay for the utilities [100].

The poor financing of public services (healthcare, education, culture as well as technical infrastructure) has been argued to be one of the main decentralization issues in Romania and the cause for their lower quality, which certainly affects the life quality of communities [101]. Most of the settlements in Romania rely on the financial allocation of public resources from the central government for balancing local budgets [102]; these allocations are rarely in line with the local needs or the performance of the local authorities, but rather depend on political criteria [101,103,104]. Moreover, the expenditure policies of the Romanian local administrations (composition of local budgetary expenses) have no positive effect on the territorial development and regional growth due to poor management and lack of result-oriented vision [105,106].

When analysing the structure of the total income for the small towns, it is obvious that their own revenues (from taxes, fees, contributions, property taxes, non-tax revenues, other payments, quotas and amounts broken down from income tax) account for less than 50% of the total income for almost three quarters of the towns, and quite frequently for as low as 30% or even lower (e.g., Liteni, Siret, Vânju Mare, etc.); this means that local authorities still depend to a large extent on the money they receive from the central government. And while in various parts of the world local governments have managed to lower local government spending by cutting costs and personnel, it is not the case in Romania, where according to official data published by the Ministry of Finances, the number of state employees has been increasing continuously, by at least 10,000 persons each year. For the last five years (2018–2023), the local public administration had the highest increase regarding the number of employees—9%—of all the sectors [107], despite successive governments promising to cut down costs of government spending, by decreasing the number of state employees. It comes then as no surprise that Romania has the highest spending for employees' wages as a proportion of total income (almost 34%) within the European Union, where the average is only 22% (in 2023).

It is important to notice that for almost 70% of the analysed towns, the expenses incurred by personnel from total income are higher than those for health, education and recreation put together, sometimes by more than 20% (for 15% of the total number of towns). In just 10% of cases, the difference is negligeable. Although the topic of the wages of public servants has been addressed by researchers and journalists, 'the results are always the same. Expenses maintain top position in the budget, regardless the size of the revenues' [108].

Regarding the health sector, the number of doctors within the analysed towns vary considerably, with an average of only two doctors/1000 inhabitants. The best situation is generally found in the small towns from the North-Western and South-Western Development Regions, while the worst in the North-Eastern (Suceava, Vaslui, Galati and Botosani) and Central Regions (Harghita, Brașov and Sibiu), where in most of the small towns there are less than one and sometimes 0.5 doctors/1000 inhabitants. The share of health expenses in the total budget follows a similar path. Romania has been known for the shortage of health professionals and the uneven distribution of doctors across the country due to chronic underfunding [109,110], with a severe shortage of physicians in small towns and rural areas [111], which limits people's access to healthcare. This explains why satisfaction with health services is ranked very low by urban citizens, with shares as low as 46% for the inhabitants of towns having between 5000 to 10,000 inhabitants and only 38% in the case of those with less than 5000 inhabitants [112]. For more than a quarter of the small towns, the distance to the nearest county administrative centre or city with more than

50,000 inhabitants exceeds 40 km. The situation in the surrounding rural settlements is usually even worse. Consequently, the poor performance of this sector questions the extent to which small towns still serve as central places for the rural hinterland.

Another strategic sector is education and culture. Expenses from the local budget for education are higher than those for leisure and recreation, but overall, there is quite a large gap between the towns with the highest average (more than 20%) and the ones with the lowest share. Ignoring the cultural and recreational infrastructure is a common trait of local administrations throughout the country, with only occasional investments from public funding, but these facilities are crucial in increasing the attractiveness of towns and cities alike for the young population [98,113]. It comes as no surprise that in some of the small towns, the majority of the inhabitants are dissatisfied with the cultural and sport facilities in their town [112]. Cultural and recreational facilities contribute to a higher quality of life, which is the main reason why Romanian migrants would choose to move to a different city [98], followed by the employment opportunities.

There is no pattern regarding the regional distribution of small towns with higher and lower share of expenses for these sectors, the counties with more towns usually including all categories. The exception seems to be Suceava, which for the 2011–2021 period had by far the highest number of towns with higher share of expenses from the local budget for education, as well as for the lowest share of expenses for leisure and recreation.

According to the official statistics, it seems that the local authorities have correlated the share of the elderly with the amount of expenses for health and education. Generally, small towns with the lowest share of people over 65 direct some 3% of their budget on average to the health sector compared to 10% for education, while those with the eldest population have the lowest average shares for education (7%), but also for the health sector (5%).

For a proper sustainable development, proper plans, projects and implementation are highly needed, and the lack of competent stuff and specialists in the local administrations of small towns with limited resources, a leadership deficit and a cultural gap are the main hinderance [114]. Previous research has highlighted the need for strategic documents such as Urban Development Plans for urban sustainability, which are highly disregarded by local authorities [115], many of the small towns having no such plans or being outdated.

Depopulation and demographic ageing are only part of the problems that small towns must face. Several other weaknesses must be considered as well, such as the political class which may or may not ensure access to the state resources which small towns depend upon due to the lack of proper fiscal base, and the 'anti-development coalitions' with actors that find benefits in the under-development of such settlements [114], even members of the local ''elite'' frequently opposing innovations and development initiatives since they are afraid of losing control [58].

Moreover, strategies for small town development should consider a relational approach and focus more on central functions for their hinterland to forge their resilience and find new development paths.

5. Conclusions

This paper tried to analyse whether population shrinking leads invariably to economic and social decline in the small Romanian towns, using 16 indices from four dimensions—demographic, economic, financial and social. The focus has been on the types of small towns and their dynamics during the 2011–2021 period with a forecast for 2031. The results point to the fact that so far, at least over a short period of time, most small towns are resilient, i.e., despite population shrinking, the values of the composite index have increased; this resilience appears to be strongly connected to economic and social elements. Nevertheless, the role of funds received from the central government and those from the European Union following numerous development programmes must not be neglected, as they are partially responsible for much of the technical infrastructure upgrade and improvement of the social indices. In the long run, however, there is no guarantee that policies and financing will not change, leaving small towns adrift.

The results of this study outline the importance of understanding the complex interplay between population dynamics, economic factors, and regional variations in the sustainability and growth potential of small towns in Romania. By identifying the factors that contribute to population decline and the clustering of shrinking urban settlements in certain regions, policymakers and planners can develop targeted interventions to support the sustainable development of small towns and promote economic and social resilience. In Romania, the rural exodus took place during the socialist period and has considerably slowed down in recent decades. Unlike their counterparts in the developed countries, Romanian small cities can no longer rely on in-migration or natural increase. That is why most of them face population ageing and loss, as well as social and economic challenges, such as employment prospects, loss of services provided by the state and low entrepreneurial capacity, while only a few are booming.

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