

## Socio-economic development – economic performance and human resources

### Level of economic development

Economic structure and trends in the Austrian-Czech border region are characterised by

- Marked regional disparities in prosperity and
- Dynamic economic development

The disparities are apparent on the one hand, in the distinct disparities between cities and the countryside and on the other hand in differentials in prosperity between the Austrian and the Czech border regions.

The dynamic economic development has emerged from

- Restructuring of industrial enterprises and foreign investment activities especially in the Czech border regions
- Development of a new basis of SMEs and
- Growing service sector with new employment opportunities

### ***Regional disparities***

The gross regional product per capita in the Austrian border region accounts for about 132% of the EU-25 average, in the Czech border region it amounts to about 62%.

While the Czech border regions do not reach the national average, the situation in Austria differs between the urban agglomerations and the rural peripheral regions. The strongest Czech border region is *Jihomoravský kraj* with the centre of Brno with a GDP/capita in 2003 of about 94% of the national average. In terms of economic potential the *Jihomoravský kraj* can be ranked among the 3 most dynamic regions in the Czech Republic.

Some of the Austrian border regions are among the weakest regions in national comparison, they do not reach more than 70% of the Austrian average. Only *Wien* – one of the strongest economic regions in Europe, the districts close to the capital and the urban region *Linz-Wels* clearly exceeds this level.

A look on the development of GDP/capita shows that the Czech regions starting from a very low level are the most dynamic ones in the border region. In the period 2001 – 2003 the change rate accounts for 10,9% in the Czech border region, headed by *Jihomoravský kraj* and 3,0% for the Austrian regions with a more dynamic trend in the central and urban regions than in the rural regions.



Table 2: Economic structure

Regional unit	Gross value added		Share of gross value added in %			
	2003 total	Agriculture	Manufacturing/Production of physical goods		Services	
			Total	Construction	Total	Tourism
Nuts III region	In Mio. EUR					
Border region - AT	102.939	1,7	26,4	-	71,9	-
Border region - CZ	14.874	5,2	39,9	-	55,0	-
<b>Border region - total</b>	<b>117.813</b>	<b>2,1</b>	<b>28,1</b>	-	<b>69,8</b>	-
<b>Border region without Vienna</b>	<b>61.237</b>	<b>3,9</b>	<b>38,6</b>	-	<b>57,5</b>	-
<b>Austria (total)</b>	<b>204.285</b>	<b>1,9</b>	<b>30,1</b>	<b>7,7</b>	<b>68,0</b>	<b>4,5</b>
<b>Czech republic (total)</b>	<b>73.764</b>	<b>3,0</b>	<b>37,3</b>	<b>7,0</b>	<b>59,6</b>	<b>2,0</b>

Source: Eurostat

In terms of gross value added the primary sector in the entire border region accounts for 2% with distinct different importance in the Czech (5,2%) and Austrian part (1,7%). Nevertheless **agriculture** plays a vital role on both sides of the border. The highest shares of gross value added for this sector are displayed for *Jihočeský kraj*, *Kraj Vysočina* and *Weinviertel*, *Waldviertel* and *Mühlviertel*.

The regional economic structure of the border region is characterised by a great extent of the **secondary sector** measured in terms of gross value added. For the border region as a whole the share of gross value added lies at about 28%, whereas the dominance of the production sector in the Czech part is much higher than in the Austrian part. The structure of the production sector shows a high concentration on traditional light productions like the food industry and the textile and clothing industry as well as leather, glass, stone and wood processing especially in the more rural areas. Here the industrial production remains limited to only a few sites, which tend to be located at a relatively long distance from the respective national economic centres. The more technology and innovation oriented branches for example the manufacturing of machinery, biotechnology, vehicle industry, electronics, ecotechnics, control and automation systems, information technology or microelectronics in high-tech products, engineering and particularly energetic, mechanical engineering and electrical engineering are located in the urban areas and or in some of the traditional industrial centres.

The industrial sector throughout the entire region has been undergoing notable structural changes for the past few years. In the course of active location policy and a comprehensive innovation and technology campaign, not only existing structures have been modernised and strengthened, but also new areas of activity have been developed and funded.

The structure of enterprises of the secondary sector in the border region is very different and depends in general on the industrial tradition of a region and/or on the sector main focus. In principle the size of enterprises in the Czech regions is higher than on the Austrian side. Enterprises with more than 500 employees are dominating in branches like steel industry, chemicals/oil/gas, partly in the vehicle and automotive sector, the textile and leather and food and beverage production.

Small and medium-sized enterprises with below average productivity (with few exceptions) and a rather low level of technology prevail. Branches like wood processing, metal working, partly electronics or highly specialised enterprises or such, working as subcontractors are dominated by SMEs.

In some parts of the regions the **energy sector** plays an important role for the regional economy. However the structure of the energy production differs on both sides of the border. Austria is rich of water resources, therefore the production of electricity comes to a high extent from hydropower. In the Czech Republic nuclear power is important too. In the last periods on both sides the activities in the fields of renewable (ecological) energy are significantly increasing. Because of the natural resources (e.g. timber, fuel wood and wood waste, cereal straw, straw from oil plants, wind etc.) the region is predestined for producing renewable energy. There are also very good conditions for the exploitation of the solar energy. On both sides there are ambitions to enforce the research and development activities to increase the share of output of the renewable energy producers in the following years to reach the levels given by the EU. Biomass energy is less used for the time being even though it has the biggest potential in the region. The more extensive use of biomass in generating energy also offers important perspectives to agriculture with regard to regional development and the creation of jobs; and if R&D is adequately supported, it may also provide impulses for the development of new and innovative technologies.

In terms of gross value added the **service sector** is not only very important in some parts of the border region but also the most dynamic one. In total the share of the tertiary sector accounts for about 70% of total gross value added, with notable disparities between the Czech part (55%) and Austrian part (72%) of the border region, although in the last years an intensive catching-up process has taken place in the Czech Republic.

The service sector is very much concentrated in the urban areas and is not very well developed in the rural part of the region. Especially in the Czech part there are still considerable deficiencies at the level of small towns and villages. In the whole region this sector was the most dynamic one in the past, the number of jobs in the private and public sectors increased in all parts of the region. In the Czech regions new jobs have been created and development has been stimulated by the location of commercial enterprises and by the initiatives of private investors and founders (catering, hairdressers, commercial businesses, and similar activities), in Austria a dynamic development can be observed in social services, tourism, retail and business related services.

With exception of some social and public services (e.g. health system, administration etc.) the tertiary sector is dominated by SMEs. In most of the cases the average size of an enterprise does not exceed more than 20 employees. Especially for these enterprises the access to new technology or to results of research and development is not very easy. But also their co-operation activities and intensity are on a very low level. To intensify the mentioned activities the establishment of adequate (cross border) supporting structures can offer a useful platform.

**Tourism** in particular, holds a considerable potential for development on both sides of the border and is becoming a new economic core branch with the biggest growth of regional business activities for some rural regions. The tourist infrastructure and the services offered are developed to very different degrees in the various parts of the region.

Following distinct structural differences can be identified:

- High regional and/or regional concentration of tourism (cities, health resorts, summer season)

- Disparities in quantity and quality of the tourist supply (urban - rural, regions with high tourism intensity - less developed regions)
- Missing cross border destination marketing and management

There are two visible trends in the development of the tourism sector in the region that evolved over the years. The prevailing one is oriented on the tourism in the “urban” areas with considerable share of foreign tourists. On the other hand, there are destinations with strong focus on recreation, excursion, health tourism and culture playing a major role in the rural regions and for domestic tourism.

In the reporting year 2004/2005 about 23 Mio. overnight stays were registered in the entire region, about 70% account for the Austrian part – headed by *Wien* – and 30% for the Czech border region. On the Austrian side the share of overnight stays corresponds to about 15% of the national amount, on the Czech side to about 17%. The summer season is dominant, whereas especially in some (mountainous) regions in Austria the winter season is much more important than in the Czech part of the border region. High concentration of overnight stays can be observed in the cities focused on culture and conference tourism with high proportion of foreigners. The rural regions are specialised on recreation, health and wellness, day trips, culture and nature, sports. In these areas the seasonal dependence is very high.

The quality of the accommodation and tourist supply is much higher in the cities. In many cases the number and quality of accommodation and services lags behind the international level in the rural regions.

Table 3: **Overnight stays (no harmonized data available)**

Regional unit	Number of overnight stays
	Reporting year 2004/05 (AT/ 2004 (CZ)
<b>Nuts III region</b>	
Border region - AT	15.856.598
Border region - CZ	7.100.798
<b>Border region - total</b>	<b>22.957.396</b>
<b>Border region without Vienna</b>	<b>14.281.955</b>
<b>Austria (total)</b>	<b>118.773.422</b>
<b>Czech republic (total)</b>	<b>40.781.000</b>

Source: National statistics

On both sides of the border local, regional and national institutions are responsible for the advertisement and marketing of the tourist supply. Marketing strategies focus on two different strategies. One strategy is based on the specialised supply (e.g. cultural heritage, wellness, culture, conference, leisure time, nature etc.) and the local sights and the special Unique Selling Position (national park, UNESCO cultural and/or natural heritage etc.) the other strategy is oriented on a supraregional level to form supraregional packages to widen the market sphere and to reach more and/new (national and international) guests for the regions.

For the border region the identified potentials of tourism lie in the areas of

- Development of innovative tourism fields of activity and strategic co-operation in tourism
- Retention of successful activities
- Optimisation of tourism infrastructure
- Supply of innovative and competitive products in line with the market
- Directing products and programmes towards new customers

### ***The relevance of SMEs***

There are numerous large international companies working in some parts of the region, however the (national and regional) SMEs still play a central role in all sectors, in terms of employment as well as in terms of stability and further development of the regional economy. The structural changes were accompanied by an increasing number of small and medium-sized enterprises in recent years. In the Czech border region these enterprises as well as establishments set up mostly by foreign investors form not only the basis of economic growth in many regions but also contribute to changes in working conditions and income and thus to a trend towards a segmentation of the regional labour markets.

Based on a broad production-oriented service industry, the authorities on both side of the border have been promoting the establishment and the expansion of commercial and industrial centres, as well as innovation and technology centres in a number of locations. These initiatives aim at enhancing the region's appeal as a commercial and industrial location. Furthermore they support to promote the expansion of existing enterprises as well as the establishment of new enterprises in the respective areas.

### **Labour market**

The labour market situation in the border region is determined by the structural changes of the regional economies and the quantitative and qualitative supply of workforce and jobs and can be characterised by the following issues:

- High concentration of jobs in the urban areas and lacking job opportunities in the rural regions
- Intensive intraregional and increasing cross border commuting relationships
- Pronounced disparities in wage levels
- Increasing unemployment, high share of unemployed persons with problematic background (e.g. long-term, low qualification etc.)

In line with the economic structure and development the labour market can be characterised by ongoing structural changes. This changes led to a marked decline of employment in the secondary sector and in agriculture while employment in the tertiary sector has expanded significantly. In the whole border region total employment accounts for about 3,0 Mio. employees. In the period 1999-2003 the number of (dependent) employed persons remain stable, by slight positive change rates in Austria and slight negative rates in the Czech part of the region.

Table 4: **Employment in the border region**

Regional unit	Dependent employees	
	Absolute 2003	Change in % 1999-2003
<b>Nuts III region</b>		
Border region - AT	1.961.200	1,6
Border region - CZ	1.052.500	-0,4
<b>Border region - total</b>	<b>3.013.700</b>	<b>0,8</b>
<b>Border region without Vienna</b>	<b>2.127.000</b>	<b>0,9</b>
<b>Austria (total)</b>	<b>4.145.500</b>	<b>1,5</b>
<b>Czech republic (total)</b>	<b>4.845.030</b>	<b>0,1</b>

Source: Eurostat

In terms of employment the service sector is the most dynamic sector and in most parts of the region the increase of jobs in the tertiary sector influences the level of employment (quantitative) and the structure of employment (quality) in a very high degree. Factors important to be mentioned are e.g. the increasing number of employed women, increasing share of part-time workers, the expansion of low qualification jobs on the one hand and higher qualifications on the other hand, problematic development in some branches in the secondary sectors affecting elderly workers, workers with low level of flexibility or mobility, insufficient qualifications and so on.

The urban agglomerations are the labour market centres of the region, in Austria *Wien* and region of *Linz-Wels*, in the Czech border region *Brno* and the other medium sized towns. For the people living in the rural areas these centres are the favourable commuting destinations. A broad job supply and well-equipped traffic infrastructure are the basic factors for intensifying commuting.

### ***Cross Border Labour Market Relations***

In the last years not only inner regional commuting relations have been intensified also the cross border relations increased. In border regions the development of cross border labour market relations follow specific rules. The direction of commuting and labour migration is determined by factors like

- Regional economic structures on both side of the border
- Quantitative and qualitative job opportunities and the unemployment situation
- Level of wages and prices
- Transport facilities, infrastructure and accessibility
- Language skills

During the last 10 years cross border labour market relations in the border region gained an entirely new quality. Since 1990 the Austrian-Czech labour market relationship has taken place either in the form of cross border labour migration or cross border commuting especially from the Czech regions to Austria. The typical sign of the regional labour market is one-way economic migration and commuting. Workers from the Czech Republic use the opportunity to find employment in nearby Austrian regions in branches like construction, tourism and social and private services, agriculture and forestry.

Although the EU accession in May 2004 allowed the Czech citizens to enter the Western Europe labour market without working permission, Austria like one of most EU15 countries introduced transitional provisions to free movement of labour up to 7 years (2+3+2 years) which affects the bilateral labour market.

### ***Qualification of the labour force***

The workforce of the border region is well trained. The share of employed persons with secondary education accounts about 80% in the Czech Republic and 64% in Austria. Concerning the tertiary education Austria reaches 19% and the Czech Republic 14%. Major differences can be identified across the various age groups, between male and female labour force on the one hand and on the other hand in a regional context.

- In general young workers are better trained and show high mobility with regard to qualifications and are ready to move to other regions, older workers with specific (e.g. technical) skills are often found deficient in this regard.
- Especially in Austria the level of education of the female employees is much lower than the level of education of the male employees.
- Although the total level of qualification is increasing, there are notable regional disparities. The level of qualification (e.g. measured in terms of university degree) is much higher in the urban areas than in the rural areas, the shares of qualified specialists with (higher) secondary education are above average in mostly industrialised regions. The lowest qualification level is displayed for regions with very high shares of agricultural activities.

### ***Wage level***

The Austrian-Czech border region has substantial disparities in wage and productivity levels in a national and a cross border context. While in Austria the immediate border regions are low wage regions, on the Czech side this applies only to some parts of the Czech border regions. Jobs with higher wages in comparison to the national average are found in the majority in the Czech cities. Between Austria and the Czech Republic the cross border comparison shows a wage gap of 4:1.

### ***Unemployment***

Within the border region the difference in the economic structure and dynamic between the regions as well as demographic figures are projected to the level of unemployment. The higher the share of sectors with structural problems, the lower the qualification level of the population the higher are the unemployment rates. The labour market situation is much better in the Western part of the border region than in the Eastern part.

In 2005 the number of unemployed persons accounts for 200.600 persons in the Austrian-Czech border region. In the period 2001-2005 the number of unemployed persons is growing as result of the increasing number of unemployed persons in the Austrian regions. On the Czech side the number of unemployed persons slightly decreased.

In general the structure of unemployment is unfavourable, a high share of the unemployed are over 50-years old, or they are less-qualified persons and manufacturing workers or workers from the primary sector. They are long-term unemployed, many of them belong to the labour market problem groups with social and geographical mobility limitations.

The regional innovation system – education, research and development

### ***Education***

The systems of school education hardly differ. Basically, both countries have general secondary schools, technical and economic higher secondary schools, and specialised colleges and universities. For the programme region the main challenges in field of education are:

- To fit the requirements of the regional/international economy (more interest for technical education and studies – esp. women)
- The demographic trends – decrease of the number of pupils in the rural/peripheral regions with consequences on infrastructure and quality of education
- Integration of the population in long-life learning processes
- To deepen the knowledge of the differences in the system and to find starting points of harmonisation
- To strengthen and develop the system of recognition of apprenticeship training certificates and college and university degrees

In general the **level of education** is high in the Austrian-Czech border region, whereas there are distinct disparities between the urban areas and the rural areas. The highest shares of inhabitants with tertiary education are counted for the urban agglomerations and the lowest for areas with high concentration of the agricultural sector. Especially the more industrialised regions have higher – that means above national average shares – of persons with secondary education (skilled workers).

The educational level of women is much lower than the level of men, but in the last decades an intensive catching up process has taken place. The educational level of women increased in evidence, the increasing attendance rates and graduates in high schools and university are demonstrating indicators. In spite of this development the concentration on specific fields of education and qualification or branches of studies follows a traditional male/female orientation. While women are more oriented on social and communication issues, men are choosing more technical courses and jobs.

The Austrian-Czech border region is well equipped with educational **infrastructure**. The universities in *Wien, Linz, Krems and in Brno and České Budejovice* offer a broad range of studies in social sciences, humanities, natural sciences and economics as well as technical and medical fields; a Faculty of Management was set up in *Jindřichuv Hradec*. Higher vocational education (colleges, Fachhochschulen) is mostly concentrated in the large cities. On secondary level the school systems offer a wide range of technical and business schools and schools for social affairs.

### ***The language and the cultural experience - a key factor for cross border co-operation***

Apart from the technical and economic capabilities language learning and thus an insight into other cultures is one of the most important issues for the further development of the region and the development of the cross border co-operation process. In the last years different institutions (language schools, private organisations) provide special languages courses for children, students, adults, for SMEs and so on. The number of secondary and higher schools and colleges in which Czech or German language became part of the official curriculum is growing on both sides of the border. Other activities in this context are summer colleges and courses, the extension of the languages courses at the specialised faculties, the production of learning materials (dictionaries, CDs etc.) and so on.

### ***Research and development***

The research capacities are different in all the regions because of the existence of universities and the different size of the regional players in the field of innovation, research and development (companies, research and innovation centres, institutions, organisations etc.). In general the region is well equipped with facilities especially in the urban areas, and research and development has a long tradition. The challenge now is to transfer the existing know how to regional actors, to the enterprises, and to facilitate spin offs from universities and technology based business start ups in the cross border region.

In both countries the development of research and development capacities has been assigned high (economic) policy priority. Future strategies are defined within the scope of the technology and innovation programme as well as the National Development Plans.

The large cities Wien, Brno and Linz are the most important locations for research establishments within the entire Austrian-Czech border region. Whereas the knowledge of non-company research is largely concentrated, used or even compulsively connected to urban areas, private industrial research (enterprises, private institutions) more strongly adapts to the geographical situation and the economic and structural background (concentration of branches, size of enterprise etc.). In the rural and peripheral regions one of the main problem is the access to the (national) research infrastructure and to the research results. Technology and innovation centres, incubators and other similar institutions serve as focal point for technology and know-how transfer. In Austria also the (specialised) “Fachhochschulen” are very important supplier for research for the regional SMEs.

### ***Business related infrastructure***

Although in the last decade a wide business and technology network has been established in some parts of the region and for some branches neither the peripheral parts of the border region nor the dominating SMEs are sufficiently integrated in this networks.

To strengthen main locations and to counter the weaknesses of peripheral regions and SMEs the activities started and operated by business agencies, the Chambers of Commerce, the innovation and technological centres, the technopols etc. are first steps to intensify cross border activities in the fields of innovation and know-how transfer.