



## Labour market

Approximately 1.9 million persons are employed in the border region, which represents a significant share of the national labour markets. Naturally, the centres of economic activities provide the most employment opportunities for inhabitants of the regions, hence influencing also the labour market of the surrounding regions. The situation can be illustrated by the fact that about 60% of the working persons had in 2004 their job in one of the capitals, which implies very intensive commuting to from the surrounding regions (districts) to the employment centres.

The labour market in the border region is characterised by the following issues:

- high concentration of jobs in the urban areas
- lacking job opportunities in the rural regions
- intensive commuting relationships (intraregional, cross-border)
- pronounced disparities in wage levels
- increasing unemployment, high share of unemployed persons with problematic background (long-term, low qualification, ...)

## Employment: structure and trends

Since the early nineties, the labour market in the Austrian border region has registered a very dynamic development, albeit with substantial differences within the border region (see map 3). Above-average expansion of employment in this region was clearly attributable to the tertiary sector. New jobs were created in tourism (e.g. Vienna airport) and in trade (shopping malls, warehouses). In public services, trends in rural and urban regions differed remarkably. Especially in the regional centres, job growth in the health sector (hospitals, social care institutions) has led to a rise in employment since the late eighties. This positive trend in services also had a positive impact on female employment. This expansion, however, was due largely to the creation of additional part-time jobs. This trend seemed to have continued in most of the regions.

In manufacturing, highly divergent trends were recorded. The largest number of jobs was lost in industries that underwent restructuring, such as the food, beverages and tobacco industries, while additional jobs were created in the chemical industry, in the construction industry and related industries (wood processing and wood working). The positive development in the secondary sector benefited mostly men.

In Slovakia, the political transition was soon followed by a rapid reform of the labour market structures that prevailed under state socialism, which meant above all a drastic decline in primary and secondary sector employment. The Bratislava region, however, was affected by this process only to a relatively minor extent.

While the decline in employment since the early nineties amounted to about 20% for all of Slovakia, job losses in the Bratislava region were clearly below the national average as less dramatic layoffs of employees in the production sector were compensated by rapidly expanding employment in the tertiary sector. In 1990s in the Trnava region, however, the process of de-industrialisation was less successful. During last three years, the enhancement of the situation was supported by the development of automotive industry in the region. Since 1999, the situation on the labour market



has rapidly improved in both Slovak regions and has considerably exceeded the national average (2.9%). In 2004, women accounted for 41.4% of employed persons in Slovakia.

Map 3: **Employment trends and employment structure (based on national data)**

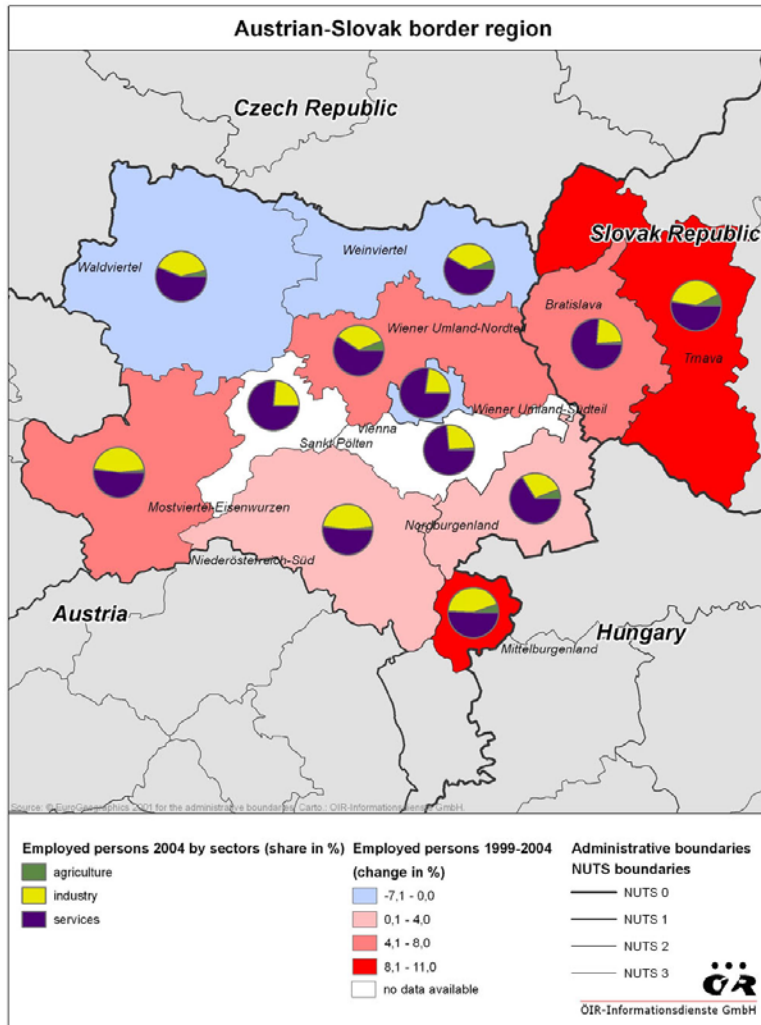


Table 5: **Employment trends in the Austrian-Slovak border region**

	Austrian border region	Slovak border region	Border region total	Austria	Slovak Republic
Dependent employees absolute '03	1,251,200	585,740	1,836,940	4,145,500	2,062,690
change 1999-2003 in %	0.9	4.9	2.1	1.5	0.0

Source: EUROSTAT

## Unemployment

The level and structure of unemployment is developing in line with the business/economic cycle, the regional economic structures and changes. Therefore within the border region very different development processes can be observed during the last years.

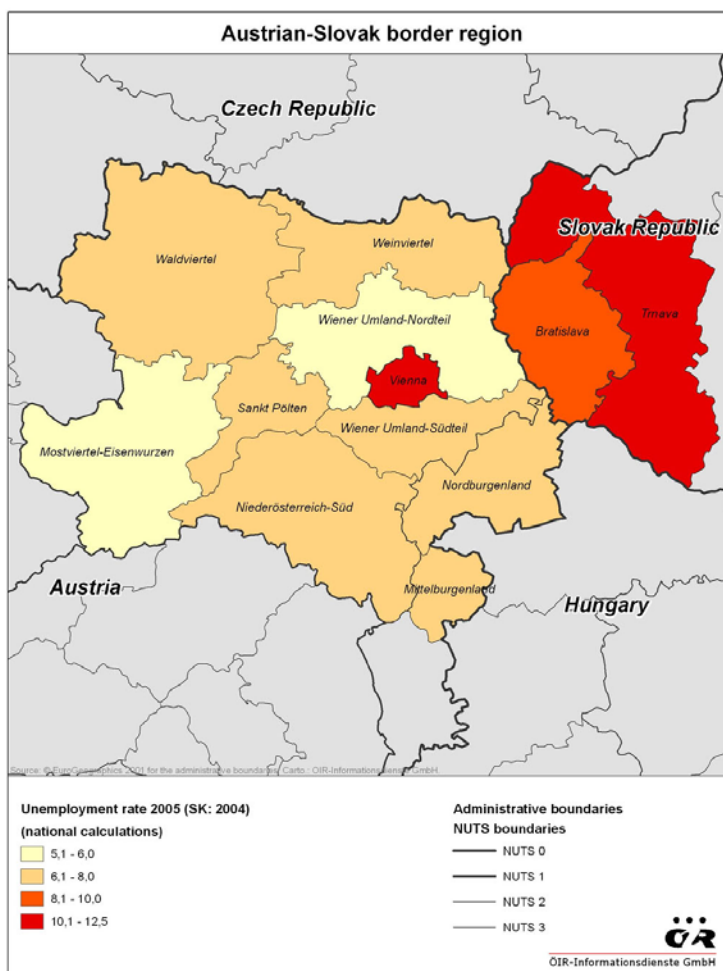


Using the LFS-data (EUROSTAT) in the border region about 150,000 people were unemployed in 2004, about 57% are living in the Austrian border region. The unemployment rate represents 8.3% (border region Austria 7.3%, border region Slovakia 10.3%). The unemployment trend does not run the same direction. In the period 2000 – 2004 the number of unemployed people increased very strong in the Austrian border region, while on the Slovak side the number of unemployed people declined.

In Austria the structure of unemployment in the rural areas is characterised by a large share of low-skilled workers and a disproportionate share of persons previously employed in production jobs. Remarkable differences by sex have to be noted: Male unemployment has been increasing even stronger in this period than female unemployment. A large number of the unemployed belong to labour market problem groups and are affected by social or geographical mobility restrictions. They generally have only low skills.

Compared with the Slovak average (18.1% in 2004) in the border region the unemployment rate based on registered data is low. Nevertheless the rise in unemployment since 1999 has continued and, as a result of restructuring measures, has still affected even large parts of the skilled workforce. A large share of the unemployed comes from production jobs. The share of skilled workers is above the average.

Map 4: **Unemployment rate** (based on national registered data)





## Assessment of the Cross-Border Labour Market

During the last 10 years cross-border labour market relations in the border region gained an entirely new quality. The typical sign of the labour market is one way economic migration – workers from Slovakia, mostly from the area around Bratislava, used the opportunity to find employment in nearby Niederösterreich, Burgenland and Vienna. In 2005 about 7,300 Slovak people were employed in Austria (Source: Arbeitsmarktservice Österreich). Parallel to labour migration, the number of daily and weekly commuters from Slovakia to Austria increased. Workers from Slovakia are employed in just a few segments of the Austrian labour market, primarily in hotels and restaurants, in social and public services, and in agriculture and forestry.

Although the EU accession in May 2004 theoretically allowed the Slovak citizens to enter the Western Europe labour market without working permission, Austria as one of most EU15 countries introduced transitional provisions to limit free movement of labour for up to 7 years (2+3+2 years) and it will not open its labour market to new EU Member States, including Slovakia. Two years after accession the transitional provisions towards Slovakia are still being applied.

From the 1<sup>st</sup> of May 2006, the second phase of the transitional period starts. In any event, the Accession Treaty provides that Member States that decide to lift restrictions on the 1<sup>st</sup> of May 2006 will have, throughout the remainder of the transitional period, the possibility to reintroduce restrictions using the safeguard procedure set out in the Accession Treaty, should they undergo or foresee disturbances on their labour markets. In April 2006 Austria replaced those limitations by additional three years. With this extension, the free movement of labour force can be realised by 2010.

It can be expected that the number of employed persons and commuters from Slovakia to Austria will remain stable till the removal of the restrictions, however after opening the Austrian labour market the number can increase.

## Innovation system – education, R&D

The innovation system in the border region can be characterised in the following way.

- The region is the national centres of research and development activities and potential
- There is a high concentration of educational and research institutions and employment
- Different levels and structure of expenditure for R& D on national level

The main indicator gross domestic expenditure for R&D shows a very low level of gross domestic expenditure for R&D in % of the GDP in Slovakia, and a percentage above the EU level for Austria. While the structure of expenditure in Slovakia is dominated by the enterprises and the state, in Austria the shares of enterprises and the universities are significantly higher.

In both regions around the two capitals, the levels of education and training are above the respective national average. The professional structure of Vienna shows a large proportion of employees with higher education, and the share of self-employed individuals is twice as high as the overall Austrian average, owing to the concentration of sciences and art as well as legal and business consultancy services in the capital. Bratislava has a high level of education, too, compared to the national average. Almost 21% of Bratislava residents aged over 15 have an university degree while



the national average is only 7.8%. Both capitals Vienna and Bratislava are seats of top-ranking institutions of education and research, which makes them the clear centres of that sector in their respective countries. Both border regions are the focal point of science and research within their national contexts.

The Slovak Academy of Sciences has its main seat in Bratislava too and maintains 45 of its 54 institutes in this city. The non-university research sector is marked by a number of excellent institutions (which are also involved in political consulting) with roots in the strong civil society sphere of Slovakia. All in all, there are 169 research institutions (50.5% of all Slovak research units) with more than 12,300 employees in the Bratislava region. 151 of these institutions with more than 10,600 employees are located in Bratislava alone.

45.2% of all research units in Austria are situated in Vienna, owing, in particular, to the high concentration of research institutions in the public sector and co-operation projects ("other research facilities"), more than half of which are located in Vienna. By contrast, this exceptionally high share of non-industrial research has a percentage of 17.5% of private, industry-related research which, thus, corresponds more closely to the overall distribution of industrial enterprises in Austria in terms of both location and specialisation.

As national data show there are distinct lacks in the access to the results of research and development activities for SMEs. Beside the universities and colleges, other public and private research institutes the regional innovation and technology centres are offering special infrastructure for (new) innovative firms and know-how transfer activities. In the last years some of these institutions running this centres have also developed cross border activities. (e.g. ECO plus, WIBAG, WWFF)