

Employment in rural regions
of Austria
The Case study regions
Osttirol and Liezen

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Weiß Franz*)

Introduction

In the course of the Fair project “Agriculture and employment in rural regions of the EU” (RUREMPLO; CT 96 1766) 18 rural regions of the European Union have been studied, 9 of them with an above average employment development (leading regions), and 9 with a below average employment development (lagging regions). The objective of the studies was to find out crucial factors for different success in creating new jobs. For most countries the territorial level was NUTS3-regions, and the investigation period was 1980-1996. The definition of “rural” follows the OECD methodology, which is based on population density. According to this methodology, three types of regions are distinguished: Most rural, intermediate and most urban regions.

In Austria two rural regions have been analysed: Osttirol, as an example for a leading rural region, and Liezen, as an example for a lagging one. The objective of this paper is to give a summary of the two case studies. Results are based both on the analysis of data and literature (as far as available), and on interviews of 60 entrepreneurs and 15 representatives of relevant institutions (held between September 1997 and March 1998).

The paper is divided into 7 sections. The first section gives a short reasoning, why the regions have been chosen, while the second section gives a short description of both regions and their employment development. The third section compares strengths and weaknesses of the regions, and the fourth section outlines, which policy measures have been taken in order to stimulate employment. In the subsequent steps crucial factors for the diverging development of the two regions are derived. Finally, we try to conclude, what the lagging region could learn from the leading region, and which general policy conclusions can be drawn from our analysis.

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Selection of the case study regions

The case studies were selected according to non-agricultural employment growth for the period 1981-91. As shown in table 1, Osttirol was 5,6% above the Austrian average for this period, while Liezen was 7,8% below. Both regions were not the most extreme cases, but the selection of intermediate regions was not supposed to be sinful in a research project on rural development, and so the choice was between Mühlviertel, Tiroler Unterland and Osttirol as a leading region, and Unterkärnten, Westliche Obersteiermark, Südburgenland, Niederösterreich-Süd and Liezen as a lagging region:

Table 1: Variation coefficients and population growth of selected regions

Region	Variation coefficient ¹
Mühlviertel	0,77%
Osttirol	0,56%
Tiroler Unterland	0,78%
Unterkärnten	-0,3%
W. Obersteiermark	-0,85%
Südburgenland	-0,38%
Niederösterreich-Süd	-0,54%
Liezen	-0,78%

Mühlviertel is closely located to one of the five largest cities of Austria. Since the good development of peri-urban regions was a general trend in the last 15 years, and there are no peri-urban regions with a bad development in Austria, we cannot expect lagging peripheral regions to adopt their strategies successfully. *Tiroler Unterland* has a long industrial tradition with old locally rooted firms. In economic terms it had already been far above the average before 1980 (the starting point of our study), and it seems hard for a lagging region to copy the development, if it faces less promising preconditions. In contrast, *Osttirol* has been one of the most lagging regions of Austria for decades. In 1980 a period of strong industrial development started, and lasted until the beginning of the nineties. Even if income is still below the national average, and unemployment is high, the development was remarkable. Therefore, we have chosen *Osttirol* for the case study as a leading rural region in Austria.

The least successful regions in the study-period (1981-91) were *Westliche Obersteiermark* and *Liezen*, which are two neighbouring regions and belong to the same province. We have

¹ Difference in non-agricultural employment growth p.a.(1981-91) to national average

chosen *Liezen* as a lagging region for its extraordinarily high unemployment rate, and its similarity to Osttirol.

Some Basic information on the case study regions

Table 2: Basic indicators

		Osttirol	Liezen	Austria	most urban	intermediate	Most rural
Population	1991	48338	81352	7795786	1539848	2458200	3797738
Area (km²)		2006	3240,6	82511	397	14694	67420
Density	1991	24	25	94	3879	167	56
Population growth p.a.	81-91	0,2%	0,1%	0,3%	0,1%	0,5%	0,3%
Total Employment growth p.a.	81-91	0,6%	-0,4%	0,4%	0,3%	0,9%	0,2%
Non-agricultural Employment growth p.a.	81-91	1,3%	-0,04%	0,8%	0,3%	1,0%	0,8%
Employment by sectors ²	1991						
agriculture		10%	10%	6%	1%	3%	12%
industries		35%	34%	35%	28%	36%	38%
services		55%	56%	59%	71%	61%	49%
GVA/capita (ECU)	1991	11885	12145	16530	23886	18672	12161
GVA/capita growth p.a.	81-91	8,5%	5,7%	7,8%	8,8%	7,5%	7,5%
Unemployment rate (EU-method)	1991	2,9%	4,4%	3,7%	5,2%	3,4%	3,2%
Unemployment rate (Austrian method)	1981	3%	2,1%	2%	2,3%	1,7%	2,1%
	1995	8,5%	9,4%	5,7%	7,6%	4,9%	5,4%
Population share of the main town	1991	25%	9%				
Employment share of the main town	1991	49%	16%				

Source: ÖSTAT

Osttirol is located to the South-West of Austria (bordering to Italy), and it is part of the province Tyrol. It has about 50.000 inhabitants, and 2000 square kilometres. Due to historical reasons there is no common border with the rest of the province, and until 1968 the only reasonable road-connection to the provincial capital Innsbruck crossed Italy. The border location, the long distance to any urban centres, and the bad road connection to the rest of the country has hampered the economic development for decades. Due to the creation of the Felbertauern road in 1968 the situation has improved, and partly the good economic development of the 80ies can be explained by this fact.

Osttirol is an alpine region, and so settlement is more or less confined to the main valleys. Population and employment is extremely concentrated to the regional centre Lienz. The most important local resource is the beauty of the landscape, which attracts tourists both in summer and winter. In addition, extensive forests and alpine pastures are an important capital for economic activities.

² **industries:** mining, manufacturing, electricity, gas and water, construction; **services:** trade, restaurants and hotels, transport, storage and communication, finance, insurance, real estate and business services, community, social and personal services.

In 1981 the employment share of agriculture was 16%, compared to 32% in industries and about 50% in services. Since 1980 the employment development of Osttirol was significantly above the average of rural regions. Both industries and services increased substantially, while agriculture has decreased. Despite a strong increase of jobs, unemployment grew massively during the 80ies and 90ies, and unemployment rate is high compared to other rural regions. However, the dominant share of unemployment is seasonal, due to tourism and construction, and therefore not necessarily involuntary.

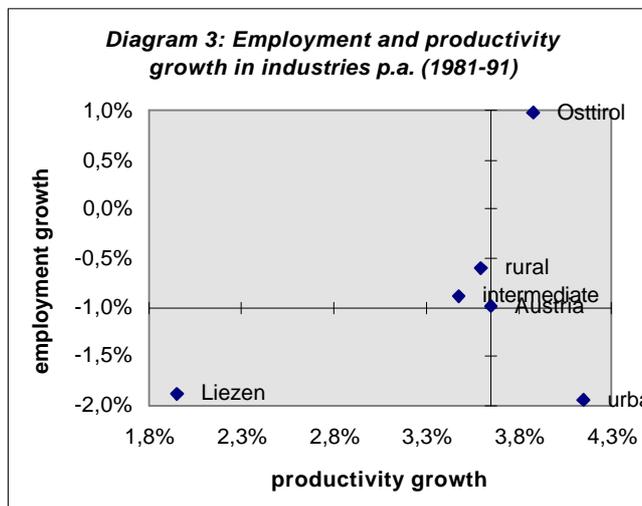
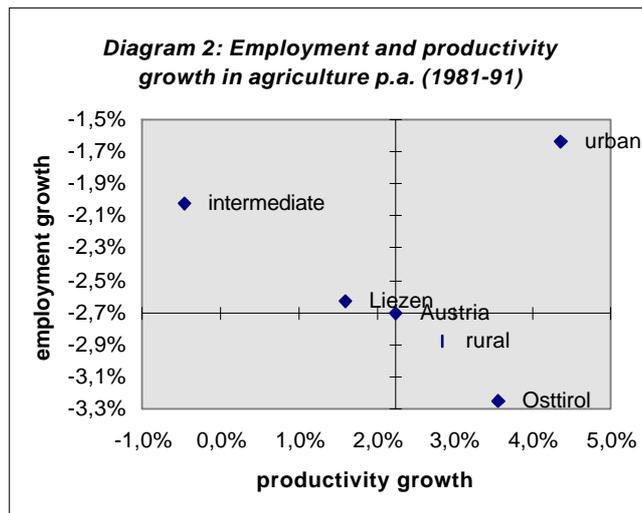
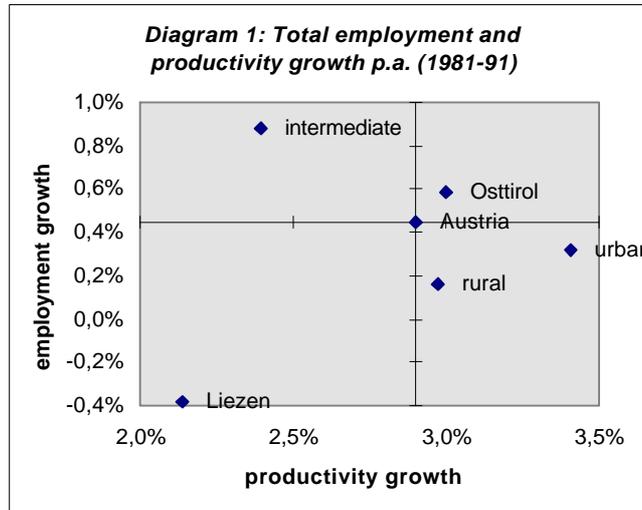
Liezen is located to the geographical centre of Austria, and belongs to the province Styria. It has 80.000 inhabitants, and 3200 square kilometres. Similar to Osttirol, there are no urban centres within a distance of 100 km, but the road connections are generally better. Since the late 80ies there is a motorway, which connects the region to the North and the South-East. A special problem is the connection to the West, since the congested road creates an interest conflict between transporters and the population. The endless struggle for a solution led to a temporary tempo limit, frequently lamented by local entrepreneurs.

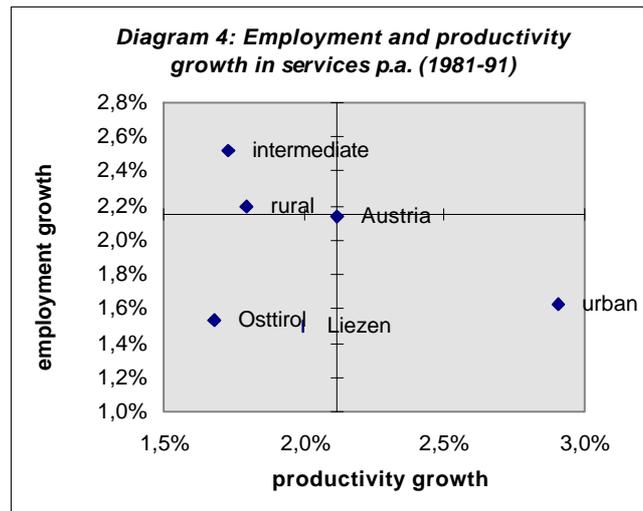
As Osttirol, Liezen is an alpine region with settlement in the valleys. However, in contrast to Osttirol neither population nor employment is significantly concentrated in a regional centre. The four largest towns of Liezen do not have a much higher share of population, and even a lower share of employment, than the regional centre of Osttirol (Lienz) alone. The most important local resources are the beauty of the landscape (especially in the West and the East), mineral resources (salt, plaster of Paris, marble, talkum), extensive forests and alpine pastures, and numerous hydro-power plants.

In 1981 the employment share of agriculture was 13%, compared to 39% in industries and 47% in services. This reflects the long industrial tradition of the region. Since 1980 employment development was significantly worse than in other rural regions. Agriculture and industries both faced a strong decline, while services increased, but below average. The unemployment rate of Liezen is one of the highest in the country, and has increased by a factor six since 1980. Unemployment is marked by a high share of long-term unemployed, and a high share of unemployed women.

The following diagrams present total and sectoral growth rates of employment and productivity for both case study regions, the national, rural, intermediate and urban averages. While Osttirol shows an above average development both in employment and productivity, Liezen is below average in both. The sectoral diagrams make clear that the different behaviour of Ostti-

rol and Liezen is due to industries, while services developed very similar, and the agricultural development was even better in the lagging region than in the leading one.

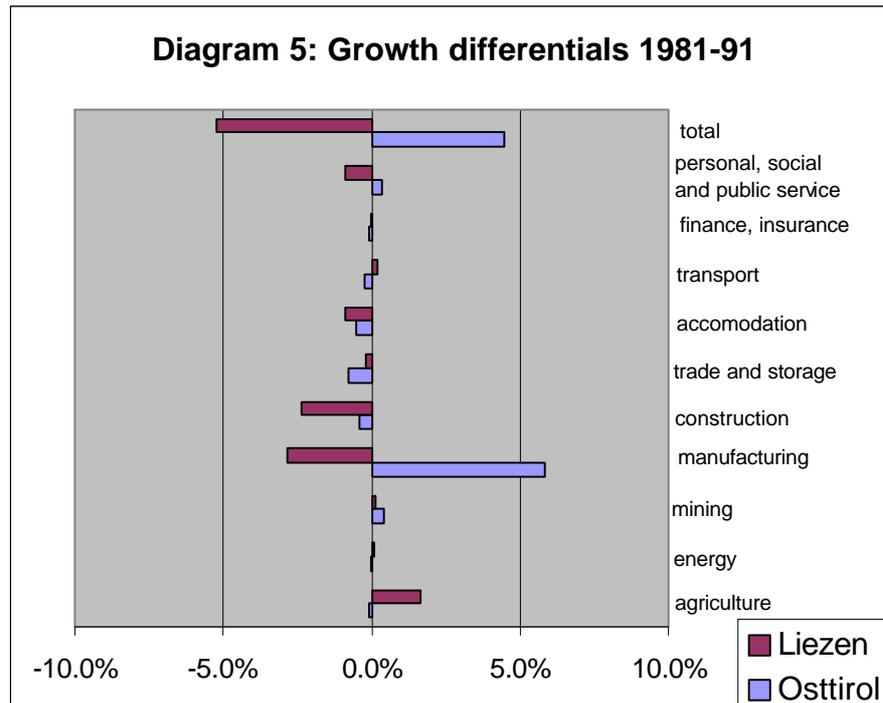




In order to get a clearer picture of the development, one has to go deeper to the level of economic branches. The employment shares of the branches are very similar in both regions. The main difference to the rural average is a lower share in manufacturing, and a higher share in accommodation. However, this is not surprising, since both regions are alpine regions with high importance of tourism.

Diagram 5 relates employment growth (1981-91) to the average of rural regions in Austria³ according to economic branches. It shows that the difference between the two regions is more or less explained by the development in manufacturing and construction. In services the better performance of Osttirol in public services and accommodation was more or less balanced by a worse development in transport and trade. In agriculture the lagging region performed better than the leading one, which can be explained by the strong food manufacturing industry in Liezen.

³ The change of employment of a branch is not related to the stock of employment in this branch, but the total employment of the region. The resulting growth rates are then corrected by the average growth rates of rural regions. 0% corresponds to the development of the rural average.



In Osttirol the main contribution to the employment growth of the 80ies came from firms in metal manufacturing. Three firms settled between 1978 and 1980, and created about 1500 new jobs until 1990. The largest one is part of a big company with German ownership, and produces refrigerators.

Other important contributions came from wood manufacturing and public services. While employment in saw mills was rather on the decline, the good development of wood manufacturing was mainly caused by increases in the production of furniture, usually in small and medium-sized local firms. In public services employment increases are due to public institutions. So, the hospital grew from 450 to 600, and schools increased employment by 110 people.

As in the 80ies, employment development in Osttirol stayed above the rural average in the 90ies. However, in contrast to the 80ies, between 1991-96 not the industrial sector was the main creator of jobs, but the service sector. While in quasi all manufacturing branches jobs were destructed, a large number of jobs were created in construction and quasi all services, especially in trade, medical and social services. In trade the increase is supposed to be rather statistical than effective, since the number of part-time jobs is constantly growing there. In medical and social services the further expansion of the hospital and the home for the aged was the most relevant employment factor. The employment increase in construction was mainly due to public projects.

While in Osttirol metal manufacturing was the engine of growth, it was metal manufacturing, which was mainly responsible for the bad development in Liezen. Two large firms reduced employment by 1700 jobs, and one medium sized firm (100 employees) left the region for cost reasons. The one of the two large firms had been part of the formerly state-owned metal industries VOEST, and has been guided by different private owners since 1992. The second one had been part of a big German company until 1982, then temporarily guided by a local initiative, and finally sold to German industrialists in 1988. Partly the decreases in metal manufacturing could be balanced by a new large enterprise, which settled in the 80ies, and has created 470 new jobs since then.

Other substantial job decreases happened in manufacturing of non-metallic minerals and shoe production. So, a large manufacturer of magnesite reduced employment from 800 to 280 since 1980 due to rationalisation and restructuring. Partly this was balanced by the good development of two manufacturers of plaster of Paris. The employment decrease in shoe production is due to one large firm, which left the region for cost reasons in the 80ies. It caused a loss of 270 jobs, mostly for female employees. Finally, jobs were reduced in numerous medium-sized construction firms and the salt mine in the Northwest.

Job increases can be found in services, but only in the transport branch those increases were above average. This was mainly due to the public railway company, which is strongly present in the region, but also to some large firms in road transport, which have gained by the new motorway.

Strengths and weaknesses in the leading and the lagging region:

The following table evaluates the endowments of the case study regions, in comparison to other regions. It tries to show what are strengths and what are weaknesses. The evaluation must be interpreted from the employment point of view, and in comparison to other rural regions. So something can only be a strength if it could be helpful for the creation of employment, and it is more present or more developed in the respective region than in the average of rural regions. Strengths are indicated by a “+“ or “++“, weaknesses by “-“ and “--“. If an item is not relevant or it is quiet on the rural average this will be indicated by a “0“.

	Osttirol	Liezen	Osttirol	Liezen
Strengths and weaknesses	1980	1980	1996	1996
location of the region (regional context)	--	--	--	--
location of the region (global context)	--	0	--	0
local resources	0	+	0	+
climate	+	0	+	0
physical infrastructure	0	0	0	0 (-)
Amenities (for tourism)	++	++	++	++
tourism infrastructure	-	0	0	+
universities/research centres	0	0	-	-
<i>education level and skills of the labour force</i>	+	-	+	-
<i>cost of labour</i>	++	--	+	-
<i>industry structure</i>	-	--	0	0
<i>capacity (knowledge, skills attitude) of local policy makers</i>	++	-	0	-
capacity (knowledge, skills, attitude) of local entrepreneurs	--	--	-	-
<i>Motivation of the local labour force</i>	++	++	++	++
entrepreneurial climate: concentration of firms	--	--	0	-
<i>internal networks</i>	+	-	+	-
external networks	-	-	-	-

The SW-analysis shows that the crucial differences between Osttirol and Liezen cannot be found in endowments, but rather in capacities of local actors. So, the education level, especially in technical skills, is higher in Osttirol than in Liezen, while labour unit costs are lower. The attitude towards work was described as excellent in both regions. The poor technical education in Liezen can be explained by the lack of technical schools, whereas the high labour unit costs (especially in the 80ies) are due to the traditionally high wage level in metal industries, which could not be reduced in line with productivity decreases. In contrast, in Osttirol wages have been low, since in 1980 large industrial firms did not exist, and this created good conditions for firm settlement.

Both regions had a rather unfavourable industry structure in 1980, but this was much more crucial in Liezen due to the high dependence on basic industries. In Osttirol industries had been small structured in 1980, and the level of manufacturing was very low (wood, textiles, leather and metals). Today industry structures in both regions are similar, both in terms of products and in terms of firm size. However, the situation in Liezen is slightly better due to a higher stock of medium-sized firms with local owners.

As can be seen from the table, in both regions few items have really improved since 1980, compared to the rural average. Policies have rather contributed to keep pace with other regions, and some things have even deteriorated. Exceptions are the industry structure, the entrepreneurial climate, the capacity of local entrepreneurs, and tourism infrastructure, which have improved in both regions. In Osttirol the improvement of the industry structure has been

encouraged by the active firm settlement policies, while it was an endogenous rationalisation process, which has improved industry structure in Liezen. The policies of supporting especially innovative projects and investments has contributed to the improvement of the entrepreneurial climate and the capacity of local actors to innovate in both traditionally risk-averse and non-entrepreneurial regions. However, they are still lagging behind others in this point. Finally, in both regions the massive financial supports for expansion and creation of tourism infrastructure was an important contribution to improve competitiveness in tourism.

Policies and strategies towards employment maintenance/creation.

In both regions *employment in the public sector* has been expanded. In Liezen expansion was below average, while it was slightly above average in Osttirol. In both regions employment increases were concentrated to medical and social services, and in Osttirol to education.

Public investment projects, like the creation or expansion of public buildings, sewerage systems or roads, usually have an important impact on employment in construction. In the period of study this was especially the case in Osttirol, where many smaller projects have been carried through. In contrast, in Liezen local firms could hardly gain by big projects like the creation of the motorway.

In Austria *direct labour market policy* is administrated by local affiliates of the Labour market service. This institution mediates jobs, administrates unemployment benefits and financial supports of the „Arbeitsmarktförderungsgesetz (AMFG)“, and is engaged in education programs for unemployed people.

In both regions the strategy of job mediation has changed since 1980. While in the 80ies each unemployed was allocated to one mediator, since a few years there is a service for entrepreneurs and a service for people looking for a job. Both services are closely linked via the computer system. This guarantees flexibility in mediation, close contacts to firms, and is more appropriate for large numbers of unemployed people.

Education: In Osttirol a technical school (ISCED 3) was created some years ago, while in Liezen few has happened since 1980. In both regions the chamber of commerce created schools for foremen-education in electronics and machinery. In addition to that, there are education programs for unemployed people, paid by the Labour Market Service, and education programs of the chambers. Usually they are strongly oriented to the local needs. However, this was similar in both regions.

In Osttirol local politicians played an important role in attracting new firms from outside. Active *communities* created good preconditions for industrial development (industrial zones with necessary infrastructure), used personal contacts to get in touch with firms, and then showed co-operative behaviour, when firms were interested. So firms were persuaded with cheap land and cheap connection to energy, water and canalisation and generous supports in the starting period.

In Liezen this was only the case in the East, while local politicians in the centre and the West were rather described as uncooperative towards industrial firms. Partly this has to do with the fact, that the capital Liezen wants to emphasise the development of trade, instead of industries, and the West is specialised in tourism. In fact, the capital Liezen developed very well as a trade centre of the whole region. This development was initiated by a private initiative of local entrepreneurs, which systematically tried to attract new trade firms.

In both regions the emphasis in *infrastructure policies* was in tourism and the road-net. In tourism the creation and expansion of accommodation facilities and ski-lifts was supported by direct payments and cheap loans. In Liezen the most important road-project was a motorway, which connects the region from North to South-East, and reduces the travel time to urban centres like Linz and Graz. A motor-highway to the West has been prevented by ecologists until now. In Osttirol no new roads have been created in the investigation period, but the creation of the Felbertauern road in 1968 had still strong influence on the development during the 80ies.

Financial supports for projects and enterprises came predominantly from national and provincial funds. Three groups can be divided: Firstly, there are economic funds, which can be utilised by all firms meeting certain requirements. They are not tied to backwardness or geographical disadvantages of the region, even if in some cases firms in disadvantaged regions can receive higher grants. Secondly, there are regional funds, enjoyable only by firms of disadvantaged regions, and finally, some regions have local funds, which are exclusively devoted to those specific regions, and where, in contrast to economic and regional funds, local authorities take part in the decisions.

While the availability of economic funds was similar in both regions, the main difference was in regional and local funds. In Liezen local funds did not exist, and all decisions about the use of regional funds were exclusively drawn on the provincial or national level. In contrast, in Osttirol, the regional council (a council of local policy makers) played an important role in

decisions about the use of provincial funds. The emphasis was on supports of tourism projects (ski-lifts, bicycle ways and National Park) and supports for key enterprises.

Two programs were of importance: Firstly the so-called „Raumordnungs-schwerpunkt-Programm“ of the province Tyrol, which follows unique guidelines for all Tyrolean districts, but with better conditions for Osttirol. From the regional program about 1 Mio.ECU per year on average was received by Osttirol. Secondly in the 80ies there was a special support program for Osttirol (Sonderförderungsprogramm-Osttirol), which was co-financed by provincial and national funds. Expenditure figures for this special support program were not available. Financial support of firms (for foundation, expansion or investments) by both funds was frequently tied to some minimum size and the obligation to create new jobs. Most of the larger firms, which contributed massively to employment growth, received substantial supports from those regional funds.

Key factors of success/decline in the leading and lagging region

As can be seen from former sections, the mayor reason for the above average development in *Osttirol* was the industrial settlement in the 80ies. Most important was the settlement of a few large metal-manufacturers, and the expansion of some local small and medium sized enterprises in wood manufacturing. Several factors have been of significant importance for this industrial development:

1) Well-educated labour force

Flexibility and problem-solving capacity is one of the potential strengths, which makes firms in rural regions competitive towards firms in low-wage countries. This requires people with medium-level technical skills. In Osttirol this kind of skills have been available, and the willingness to education and permanent training is high. This was emphasised by almost all managers as an extraordinarily important argument for new enterprises.

2) Low labour unit cost

Industrial labour cost in Osttirol was only 66% of national average in 1981. Even if productivity was lower than on average, this was a substantial cost advantage for new firms, which settled to the region.

3) Co-operative policies

Communities showed co-operative behaviour, when firms indicated interest to settle in the region. Connection costs for water, energy and canalisation were kept low, and land was provided cheaply. Generous financial supports for new enterprises came especially from the province, but also from national funds. Moreover, cheap loans, interest supports and direct payments for other enterprises were generally higher in lagging regions, like Osttirol, than elsewhere. Finally, financial grants were frequently connected to the obligation to create new jobs.

4) Felbertauern road

Since World War I Osttirol was an isolated region, since the only connection to the North and the rest of the province Tyrol went through Italy. In 1968 the Felbertauern road was opened, which connects Osttirol to the neighbouring region Pinzgau/Pongau, and opens new exporting possibilities in the North. With some delay this prompted the late industrialisation process of Osttirol in the 80ies.

While in Osttirol industries were responsible for the positive performance, it was industries, which caused the negative employment development in *Liezen*. The highest employment reductions occurred in metal manufacturing, followed by the manufacturing of non-metallic minerals and the production of shoes. The following factors are supposed to be crucial for this development:

1) Inflexible, large enterprises in basic industries

In the outset of the 80ies the industry structure of Liezen was characterised by few large industrial firms. The employment shares of basic industries (metal, leather, non-metallic minerals) was very high for historical reasons. Since those branches developed very bad in all parts of Europe, employment decreases can partly be explained by the industry structure. Moreover, wage level was significantly above the rural average, and this was not balanced by a higher productivity. Declining prices on world markets would have required strong measures of rationalisation, and a continuous change towards new products at an early stage (in the 70ies). However, this did not happen due to bad management, inflexible labour contracts, and political pressure (especially in the state-owned company). During the good times of the 60ies and 70ies nobody wanted to believe that those big ships could ever sink. So, reforms were delayed, and this has worsened the situation at later stages dramatically.

2) Low local potential

One of the mayor problems of regions with large industrial firms can be seen in the fact that the local entrepreneurial potential will is low. This has three main reasons: Firstly, if wages in industries are high, there is few incentive to take the risk of being self-employed. Secondly, it is hard for small firms to compete with the high wage level in industries. Finally, the upward and downward relations of large industrial firms are generally low, since they are flexible, and buy where it is cheapest. This continuously reduces entrepreneurial capacities, and can destroy the viability of a region for decades. In case of a crises no young entrepreneurial characters are present.

3) Policies

The main weaknesses in regional policies were the following: Firstly, except for the East of the region, only few has been done in Liezen in order to attract new industrial firms, neither on local level, nor on provincial level. Most activities of local politicians have rather been devoted to subsidise the old sinking ships. Secondly, provincial policies in Styria are much more devoted to the capital Graz and the surrounding regions, than to the distant regions in the North. Thirdly, there is a lack of regional consciousness. So, in many cases communities rather worked against each other than together.

In general, decisions in Styria are very centralised, and there is a lack of co-ordination between local and provincial policy makers. So, no local funds are available, and so local policy makers are not involved in the decision about grants. In contrast, regions and firms have to compete for the funds, which are usually devoted to specific objectives, from which provincial authorities think, that they are important for the regional development. This creates several problems: On the one hand people decide, who do not know the regions well enough, especially in case of extremely peripheral regions like Liezen. On the other hand firms in more centrally located regions have an advantage. Finally, the system creates an inefficient use of resources, since firms and communities frequently engage in projects not because they are convinced of its importance, but because they can get money for it. In contrast, important projects cannot be realised due to a lack of money. This leads to passive behaviour, and discourages local initiatives and networks.

4) Technical education facilities

An important weakness of the region is the lack of technical education facilities. Somebody, who wants to visit a technical school, has to go 1,5 hours by train on average (one direction). High-tech firms will hardly be attracted until this weakness will not be removed.

Can the lagging region learn from the leading region?

Whether strategies of the leading region could have been similarly successful in the lagging region is hard to determine, since the preconditions were very different.: So, Liezen was confronted with a more difficult situation in the outset of the 80ies. Old and large industrial firms in basic industrial branches faced the urgent need to change products and strategies, and to carry through strong rationalisation measures. Wage level was high, and the flexibility of actors was low. In contrast, manufacturing in Osttirol was rather based on small firms, and wage level was low. So local actors could concentrate on active employment policies, instead of standing with the back to the wall. Despite those differences, the following can be said:

- 1) The province Tyrol has partly decentralised the decision process for the use of regionally important funds, while the province Styria followed a strict way of central decisions. Local funds in Osttirol created high flexibility, and guaranteed the distribution of money according to regional requirements. In contrast, firms in Liezen had to compete for subsidies with firms of other regions, decisions were drawn far from the region, and the room for initiatives of local politicians was much smaller, which might have discouraged the development of active local networks.
- 2) In Osttirol local politicians, especially on the level of communities, were indicated to be more co-operative towards new industrial firms than this was the case in Liezen. However, this was not the same in all parts of Liezen. In the East, where firms described local politicians as very co-operative, development was significantly better than in the rest of the region.
- 3) In Osttirol the qualification of the labour force was described as one of the main strengths of the region, while firms in Liezen frequently indicated problems to find qualified people with technical skills. Partly this can be explained by the lack of technical education facilities in Liezen.
- 4) In Liezen there is no town, which could actually play the role of a regional centre. So, the official regional centre Liezen does neither have a hospital, nor a gymnasium, while in

Osttirol important institutions like schools, public offices and hospitals are very centralised in Lienz. However, it is hard to say, to what degree this has contributed to attract firms, or to create jobs in the public sector.

Conclusions

- (1) Co-operative behaviour of communities towards companies has been one of the most successful strategies in order to attract new firms. However, even if a lagging region is well advised to follow this strategy, from the total perspective gains might primarily be on the cost of competing rural regions. In times of high unemployment the mayor gains of the competition of rural regions for capital will be raked by the producers, and so it seems doubtful, whether this can be a mayor contribution to solve the problem of rural unemployment from a European point of view.
- (2) Decentralisation of funds and decisions seems to be a good strategy in order to improve the competitiveness of rural regions compared to urban centres, since today most decisions are drawn in urban centres by urban people. It could improve the endogenous potential of the regions, and encourage the development of internal networks. Moreover, it could lead to higher efficiency in public spending.
- (3) The investigation of the Austrian case study regions confirms the well-known fact that the development of a good, decentralised medium-skill education infrastructure improves competitiveness of rural regions. This is exactly what firms in rural regions are supposed to require in the future, since fully standardised production will be shifted to low wage countries. Firms have to be flexible and prove good problem solving capabilities, which is impossible with untrained staff.

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The used data are taken from the following databanks:

- ISIS** (Databank of the Austrian Statistical Office ÖSTAT); Volkszählungen (1981, 1991); Arbeitsstättenzählungen (1981, 1991); Fremdenverkehrsstatistiken (div.years); Landwirtschaftsstatistik (div.years); Industriestatistik (div.years).
- RISS** (Databank of the Austrian Institute of Regional Planning); Unemployment statistics.