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## Evolving Cross-Border Labour Markets In Converging Economies

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**Gábor Novotny**  
**Evolving Cross-Border Labour Markets in Converging  
Economies**

Paper to be presented at the 40<sup>th</sup> Congress of the European  
Regional Science Association in Barcelona

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**Abstract**

From the aims of free movement of capital, goods, services and persons in order to establish the real Single European Market the last one seems to be the most difficult to achieve. Furthermore the field of employment (better the unemployment) is the one, where the EU proved to be the less competitive with other world-power centres like the USA and Japan. So not surprisingly the Union stresses the importance of solving the problems of the inner – and step by step the outer – border regions, since in most of the cases the lack of unity is most apparent along the still – although not physically – barrier like borders.

However, real tensions can rather be expected along the EU eastern borders with candidate countries. After the latest Austrian election not only the smallest Land, Burgenland seems to be worried about the accession of Eastern-European neighbours. "God save us from the Hungarian labour invasion!" – tends to be the secret prayer.

After discussing the overall problems of cross-border employment, based on West-European examples we examine, what are the difficulties and the solutions for them along more developed borders; whether there are solutions, that could be implemented at the Austrian-Hungarian border, often regarded from Western-Europe as the "Wild East"; whether – stemming from the special situation – there are promising initiatives developed especially for this borderline and whether these can dissipate Austrian worries.

## **Evolving Cross-Border Labour Markets in Converging Economies**

*“While there is nothing very new for Europeans in working on the other side of a border, cross-border local labour markets are today of particular interest: they are the crucibles in which a more regional Europe is being forged. As a factor of ever closer co-operation, frontier-zone work helps to boost a region’s economic and social potential”*

Border related regional economic theories, studies lay significant emphasis on the employment factor of cross-border economic relations.

According to Ratti (as referred to by Lezzi, 1992) along borders characterised as filters there may exist differential revenue due to differences in price and wage levels, and between legal systems. Activities related to custom clearance and transshipment attract enterprises to border regions (not to mention smugglers). In the case of open borders, proximity to the adjacent culture, legal system is an advantageous location factor for international firms. This situation implies a change from the concepts of border economics to that of economics across boundaries, where the strategic behaviour of actors is crucial. A strategy shaped as a co-operation network is shown by theory as the most efficient in solving problems typical of border environments. From the three functional spaces determining the ‘strategic’ or ‘life’ spaces of an enterprise – production of space, market space and supporting space – Ratti considers the supporting space as particularly crucial. This means qualified or *privileged relations at the organisational level of the production factors* (capital origin, information source, technological ability, *particular ties at the human capital level*); the strategic relations of the enterprise with its partners, suppliers, or clients and with the territorial environment parties (Ratti, 1993).

Gendarme stresses, that the economic development of border regions depends first of all on their economic independence and different starting position and only to a lesser extent on the effects of the border. Applying the growth pole theory on border regions, Gendarme finds that the border decreases diffusion effects from the poles towards the surrounding territories, so the pole cannot take full advantage of the economies of scale and of agglomeration factors. By opening up the borders these effects may again come into operation, and on the pole-side of the border industrialisation and urbanisation are

starting to emerge (on condition that the growth pole and a cross-border infrastructure had already existed before the border lost its significance). So growth poles of border regions take advantage of the opening of borders (Lezzi, 1992).

For border regions without growth poles, or depending from a distant centre (e.g. capitals) Gendarme's conclusions are rather pessimistic. In the case of "filter borders" firms, multinational companies coming from the developed centres are keen to invest in the poorer side of the border, using the periphery as a springboard in conquering new markets and profiting from lower wages. Labour of the dependent region moves towards the economic centres on the other side because of higher wages and other advantageous factors. Until the labour is commuting, so remains taxpayer for the poorer region, this movement is enhancing development at the periphery. However, the periphery becomes fully dependent on the prosperity and political steps of the neighbouring state. If the poor region tries to attract investment by giving preferences, it cannot be successful because of labour scarcity. So by opening the borders the dependence of the periphery is growing.

In the convergence-divergence debate in neo-classical growth theories (whether we allow for technological progress or not) labour movements are strengthening convergence, since labour tends to move from the poor to the rich region, leading to labour scarcity and higher labour income in the poor region. *However, if we take technological progress into consideration, since it is higher in the rich region this leads to a higher capital productivity there, so the capital tends to move from the poor to the rich region leading to a fall in capital intensity and labour productivity. The outcome depends on the mobility of the factors of production (Krieger-Boden 1995, as referred to by Gerling-Schmidt, 1998).*

In line with Gendarme, the new growth theory, which includes externalities and endogenizes technological progress, is rather pessimistic about convergence. Because of increasing returns to scale due to external effects of fixed capital and/or human capital growth is faster, the higher the endowment with these factors, implying that the richer region (with an initially higher capital endowment) becomes even richer. "Leapfrogging" is the only possibility for the poorer region to overtake the richer region, meaning that former invests significantly in new technologies, while the latter only marginally updates old technologies.

## **Employment policy consequences of the Single Market in border regions**

As we saw from different theories, after abolishing borders as barriers to the free movement of products and services, depending on the development level the role of border proximity may decrease (losing the springboard role, levelling up of the wages) as well as increase (economies of scale, agglomeration effects) among the location factors. According to Mestre (1992) in the EU many specific industrial and service activities are disappearing from the border regions meaning the loss of some 35 000 jobs. In addition 15 000-30 000 customs officers, approximately 40000 customs administrators and 17 500 employees dealing with customs clearance at companies need to look for another job. Although growth induced by the Single Market creates new employment possibilities, these are mainly concentrated in the central regions. The mobile – usually skilled and young – part of the surplus labour moves to these core territories. Border regions become paralysed and home for the retired (all the more if they lack centres). Supplementing the already mentioned factors, we can give a summary of the labour market related problems of border regions (LACE guide, 1995):

- High structural and hidden unemployment, stemming from the lack of development in the regions lagging behind, economic monostructures and restructuring in areas of industrial decline, from the reduction and disappearance of border related activities;
- Depopulation, outward migration of labour, especially in rural regions at the external borders of the EU;
- Lack of supply of skills to support diversification and development of the regional economy (in Objective 1 regions the quality improvement, in Objective 2 regions the rebuilding of the human resources is the main task);
- Lack of specialised centres, institutes in the field of education and vocational training to support restructuring and development;
- Along the EU external borders, special problems of migratory flows (refugees/economic migrants) and often illegal movements which disrupt border regions and create conditions which hinder cross-border co-operation (longer waiting due to stricter border control);
- Differences in the operation of the labour market and related policies (employment legislation, tax, social security);

- Differences in education and training content, qualifications awarded, often coupled with lack of mutual recognition of qualifications and training courses;
- Lack of or difficulty of access to information on job vacancies, profile of job seekers, working and living conditions in the neighbouring country;
- Linguistic and cultural barriers, lack of skills to enable interchange and effective co-operation across the border.

The EU tries to solve or at least manage these problems through its regional (Interreg) and social policy (Cross Border EURES)<sup>i</sup>.

The Interreg programme itself involves the aim of the human resource development in its overall objective of developing and revitalising border regions, stimulating – perhaps institutionalised – relations (inland and across the border) between the public and private sector. Furthermore, one of the important priorities of the programme is the development of human resources and education with a 10% share in each programming period. Emphasis was on the development of “heavy” infrastructure. There are not exact figures available for the 2000-2006 programming period, although the European Commission declared the importance of the *labour market adoption* and of the *support of social tolerance* under Interreg IIIA.

Supplementing Interreg in the field of cross border employment policy is the cross-border EURES initiative under DG Social (ex-DGV).

Cross-Border EURES is a collection of co-operation structures with the aim under the European EURES network, of meeting information and consultation requirements associated with mobility specifically within border regions, among them with special focus on regions experiencing significant cross-border flows and forming transnational local labour markets, or with a significant interplay of regional economies, or who have the will and capacity to promote cross-border mobility. It brings together public employment and vocational training services, employers’ and trade union organisations, regional authorities and the European Commission (EURES, 1997). Currently 18 such cross-border networks are operating, most densely (8) in the core territories of the EU (Benelux States, West Germany, North-France) indirectly referring on the geographical radius of the level of cohesion and its historical development, since new networks are established not only in the traditional (Blue Banana) and new (Mediterranean Coast,

Alps-Adriatic region) regions of economic success, but out of this core-zones as well (Galicia–North Portugal, Northern Ireland–Ireland, Denmark–Sweden.)

Table 1. **Commuters in the main border regions (1995)**

Land of “departure”		Land of “destination”	Estimated number of employees
	“North”		
Norway		Sweden	2210
Sweden		Denmark	1470
Denmark		Germany	1180
Germany		Denmark	1010
	“Middle”		
The Netherlands		Germany	14650
Germany		The Netherlands	1560
Belgium		The Netherlands	17620
The Netherlands		Belgium	4890
Belgium		France	5140
France		Belgium	10600
France		Luxembourg	27280
Belgium		Luxembourg	14100
France		Germany	52450
Germany		France	1760
Germany		Luxembourg	8820
	“South”		
Austria		Germany	11920
Germany		Austria	1460
Italy		France	1730
	<b>Total</b>		<b>179850<sup>ii</sup></b>

Source: Cross-Border Eures, Status Report, 1997

### **Labour market related problems of the Euregio Maas-Rhein (Case study)<sup>iii</sup>**

In the Euregio Maas-Rhein<sup>iv</sup> (established in 1976) there is significant emphasis on the management of labour market related difficulties, training programmes and the utilisation of the potential employment advantages of the border location. Due to structural change (downsizing and plant closures), the unemployment was high, while 32% of the employed was still working in the industry in 1997. Between 1962 and 1983 five mines were closed and from 1978 till 1994 every fifth workplace in the production sectors ceased to exist<sup>v</sup>.

However, the establishment of the Euregio did not help at the beginning, quite on the contrary. The industry in the Liege conurbation and the prospering chemical industry in South-Limburg (the Netherlands) means serious competition for German employers, although potential employment possibility for German employees. Due to language problems they cannot take this chance, furthermore the German wage level is higher. The shoe is on the other foot, relevant Dutch and Belgian workforce is commuting. Furthermore it is already quite usual that because of cheaper properties and living conditions Germans move to Dutch and Belgian border regions and are commuting back to Germany to their workplaces.

So as the example of this “core” border region shows, the abolishment of borders in an economic sense and the free movement of persons and goods have not yet proved to be a panacea for the multilevel and complex system of problems related to the border region, or cross-border labour markets. Indirectly however, through easier cross-border co-operation the situation improved, successful initiatives were and are launched.

In the Interregional Trade Union Council (IGR – Interregionale Gewerkschaftsrat) established in Kerkrade in 1978, the interest of about 10 000 commuters (trade union members) is represented. The aim of the Council is to help employees and the unemployed living in the border region in social security, taxation, training and employment matters. From 1993 the Council is participating in the management of the EURES project, since the EU designated the Euregio as the pilot area of the project. Now the project is after its second successful phase (1996-99 – IGA II). The most direct and flourishing relations evolved between the Euroadvisers<sup>vi</sup> of the partner regions. In



the Aachen office established especially for cross-border commuters some 1300 cases (information, advice requests) were registered in 1996<sup>vii</sup>.

Important role is being played by the education and vocational training working group of the Euregio. Some results: brochure in three languages (“Education without borders”), summer meetings in Liege (cultural, economic and pedagogic workshops with the aim of later training courses), programmes, actions helping the cross-border mobility of employees, computer-based training information system.

Although a lot could not be changed at this labour market so it is still belonging to the most depressed ones in Germany, with the help of the mentioned programmes and institutions there are some signs of development: between 1990 and 1994 800 new jobs were created in the region and more than one thousand employees were able to find a new workplace due to re-training.

As we saw, the Euregio Maas-Rhein is at a quite advanced stage in the development of the “supporting space” and the “strategic behaviour” of the actors on the field of labour market policy. We must not forget, however, that along the Benelux–German border there were very favourable socio-economic and political conditions actually since the 60’s not only in European context, but even in the world-wide one. We cannot of course tell this about the eastern borders of the EU. Especially sensitive issue is the potential labour mobility after EU accession from the candidate countries in such an extent that it played a significant role even in political movements.

### **Labour-market (especially potential migration) problems and co-operation initiatives along the Austrian–Hungarian border**

Although being a “filter” border, the special situation – the least developed Austrian region and one of the most developed Hungarian regions meet here – makes us conclude that the more optimistic picture of Ratti may be applied here rather than the pessimistic one referred to by Gendarme, since the development gap is not that big (see Table 2. and 3.)

Table 2. Economic performance (GDP/inh.) in the Austrian-Hungarian border region

Regional unit	GDP/inh. (1996)	Index (EU=100)
Nuts-III region	National=100	
Nordburgenland	75.2	84.5
Mittelburgenland	50.9	57.1
Südburgenland	52.9	59.4
Wiener Umland Südteil	125.8	141.3
Niederösterreich Süd	77.5	87.0
Vienna	148.4	166.6
AUSTRIA	100.0	112.3
Győr-Moson-Sopron	110.5	52.5
Vas	109.3	51.9
Zala	93.0	44.2
HUNGARY	100.0	47.5
EU15		100

Source: EUROSTAT

Table 3. Unemployment in the Austrian-Hungarian border region

	Unemployment rate in %	% change in the number of unemployed		
		1998	1990-1998 (A) 1990-1995 (H)	1995-1998 (A) 1994-1997 (H)
Nordburgenland	6.0	3,272	31.3	16.2
Mittelburgenland	7.5	1,097	37.3	35.4
Südburgenland	8.5	3,351	42.7	18.6
Wiener Umland Süd	5.9	7,764	41.9	19.0
Niederösterreich Süd	6.8	7,062	16.7	-2.3
Vienna	9.7	73,329	55.6	20.2
AUSTRIA	7.0	237,795	28.5	10.2
Győr-Moson-Sopron	4,4	8,588	5,8	-1
Vas	5,2	7,099	6,26	-1,1
Zala	8,0	11,060	7,45	-0,8
HUNGARY	9,1	404,094	9,88	

Source: Arbeitsmarktservice Österreich

Since the opening up of the borders – so not only because of the EU money – Burgenland showed significant development dynamics<sup>viii</sup>. One of the success factors is that thanks to cheap labour from abroad in many firms by separating simple production processes in-firm segmentation took place, supplemented by specialisation and by the additional employment of more qualified Austrian labour (Krajasits, 1998). Employment increased above the Austrian average, unemployment grew slower in the border districts in Burgenland than in other Austrian regions. Where unemployment rose significantly – decrease of low-skill woman workplaces in the textile and food processing industries – it was rather caused by restructuring and not by the supplanter effect of the cheap eastern labour force (Winkler, 1998; Krajasits, 1998; IDM, 1998). Furthermore, lost workplaces could be compensated by the production and market expansion enabled by the location in the border region.

Table 4. The rate of foreigners and unemployment in the border regions (examples July 1996)

	Foreigners with compulsory authorisation	Rate of foreigners	Unemployment rate
Mattersburg	1454	17,6	3,9
Neusiedl am See	5515	26,3	3,6
Oberwart	781	6,1	7,5
Klagenfurt	3658	4,6	6,4
Wolsfberg	835	6,5	6,1
Bruck/Leitha	1473	22,3	2,4
Gänserdorf	3292	22,9	3,9
Gmünd	554	5,1	8,1
Waidhofen/ Thaya	190	3,3	9,9
Deutschlandsberg	494	4,1	4,4
Mureck	1022	24,3	4,3

Source: Krajasits, 1998, 12.

Table 5. Hungarian employees in Austria by Lands, average in 1998

Land	Number of employed	Percentage of employed
<i>Burgenland</i>	3525	40,6
Karintia	111	1,3
<i>Lower-Austria</i>	1740	20,1
Upper-Austria	614	7,1
Salzburg	164	1,9
Styria	506	5,8
Tirol	178	2,1
Vorarlberg	139	1,6
<i>Vienna</i>	1697	19,6
<b>Total</b>	<b>8675</b>	<b>100</b>

Source: Cséfalvay-Landesmann-Matolcsy, 1999

After the EU accession however, stronger pressure on the cheap workplaces without qualification requirements in rural areas is expected, which is further strengthened by the small size of the market and the lack of powerful centres (Winkler, 1998).

Centres on the Hungarian side mean a certain threat for the Austrian side as well, since their fast development, high quality goods and services lead to an increased purchasing-power loss in Austria. The case is different regarding enterprises and workplaces, since West–Transdanubia is already characterised by the lack of skilled workforce. Whatever happens, the relatively protected and rapidly developing economy of Burgenland will face strong competition after the Hungarian accession (Winkler, 1998). Other sources (like IDM, 1998) take a different view, emphasising that after EU accession new co-operation networks would evolve with Central-Eastern-European enterprises leading to increased international competitiveness.

There exist different estimations regarding the size of the potential “labour flood” from the candidate countries (based on the summaries of the IDM, 1998 and Cséfalvay–Landesmann–Matolcsy, 1999):

- According to Fassmann and Hintermann (1997), potential of cross-border migration of Hungarians to Austria range from 540 000 to 16 000 in 1996. (The upper limit based on persons who would *consider* to go abroad, the lower on persons who have already taken *active steps* towards migration);
- Based on income differentials Franzmayer and Brücker (1997) expects annual migration between Hungary and Austria to be around 5000;
- with the same methodology: 5000 migrants annually in the year 2005 which would fall to 3800 by the year 2015. Using purchasing power parity estimates of real income levels these would be lower: 3800 in 2005 and 2900 in 2015. Regarding all candidate countries: 47 000 new workforce in the first year after EU accession without transitional period; 42 000 if accession was postponed till 2005, but no derogation was decided; and 32 000 annually if a transitional period lasted until 2015;
- Austrian Institute of Economic Research together with the Chamber of Labour (from all candidate countries): 21 000 migrants/year and 26 000 commuters from border regions;
- Huber (1998) estimates on the basis of a gravitation model that Austria is expected to have a stock of commuters from Hungary in the border region and in the rest of Austria, in particular Vienna, in order of 30 000 after some five years of free labour movement. Walterskirchen and Dietz (1998) come up with a similar result calculating with 4 000 annual additional commuters from Hungary starting from a

certain stock. Again using information on regional wage differentiation and different assumptions concerning nominal wage gap closures would lower the estimates to 2500 annually (Landesmann and Stehrer, 1999).

Although these estimations are quite diverse due to different assumptions<sup>ix</sup> and methodologies, we can summarise that the number of persons willing to migrate from Central-Eastern-Europe is “far from being a major migratory movement, but it is in fact clearly above the levels considered politically acceptable in Austria” (Interreg IIIA–Phare CBC Austria–Hungary Joint Programming Document, 2000–2006, 2000). However, there are some significant aspects being able to calm down Austrian worries:

- As a result of the development in the western counties of Hungary, the fastest approach of Hungarian wages to the Austrian level is taking place in the region where the willingness to migrate is expected to be the highest because of the geographical proximity.
- There is little free workforce on the labour market in the Hungarian border region, the majority of unemployed have low qualification, do not speak German, or are unable or unwilling to work (Csapó, 1999).
- Employment in Hungary will increase (along with decreasing population and dynamic economic development), while the number of people entering the labour market will permanently and significantly decline (young skilled people living in urban areas are the most mobile part of the population, but even them just for a limited period and they prefer going to Germany).
- After the accession of the Southern European countries to the EU there was only relatively small net migration into the EU<sup>x</sup>.
- Population in districts near the Austrian border will decrease significantly in the future, while there will be growth in North-East-Hungary, but here the distance is big, the majority of the population are low skilled and characterised by low mobility.
- Because of border proximity commuter potential has already been exhausted (Table 6.), although by the development of infrastructure and border crossings new possibilities may appear.
- Cross-border investments in the Austrian and Hungarian border region based on comparative advantages will also reduce the willingness to migrate.

- There are experts who are stressing that a postponed accession would create instability and lead to increased migration pressure in the candidate countries (IDM, 1998).

Table 6. Regional spread of daily commuters to Austria in 1995

	Hungarian commuters
Burgenland	2794
Lower-Austria	229
Vienna	57
Other Austrian Lands	49
Total	3129

Source: Cséfalvay-Landesmann-Matolcsy, 1999

In spite of all these, based on their estimations and bolstered by the delicate political atmosphere, the majority of the Austrian experts consider a transitional period as necessary after the accession of the candidate countries. On the other hand, labour mobility should be enhanced, especially in the professional segment of the labour market. Too strict regulations, while hindering regional integration and development, could lead to site or plant relocation in Hungary, and thus to increased unemployment in Austrian border regions.

There have been significant steps in order to handle tension up till now as well, and present processes are encouraging for the future. One of the good indicators of the importance of the issue is that the Cross-Border Regional Council (established in 1992), as well as the West Pannon Euroregion (formed in 1998), has an employment working group.

### **The role of the Phare CBC programme in managing labour related problems**

It was possible to achieve significant results in the frame of the Interreg programme on the Austrian side and the Phare CBC programme on the Hungarian side in spite of some serious hindrances (different programme structure and financing rules; for Burgenland

being an Objective-1 territory Interreg support is just the icing on the cake – Table 7; despite the priorities set in the Multiannual indicative Programme, emphasis was put on physical infrastructure in the Phare CBC programme – Table 8, although in the next programming period a higher share of human resources is expected according to the Joint Programming Document Table 9).

Table 7. EU funding related to population along the EU eastern border<sup>xi</sup>

EU funding related to population living in border regions (based on Multiannual Indicative Programs) (EU per capita)							
Objective-1 (1994-99)		Interreg IIA (1994-99)			Phare CBC (1995-99)		
Germany (Mecklenburg-Vorpommern, Brandenburg, Sachsen Thuringia)	425.4	Germany (Mecklenburg-Vorpommern, Brandenburg, Sachsen, Nieder Bayern)	28.9	Germany (Mecklenburg-Vorpommern, Brandenburg, Sachsen)	30.7	90.6	Poland (Szczecin, Gorzów Wielkopolski, Zielona Góra, Jelenia Góra)
				Germany (Sachsen, Nieder-Bayern)	28.6	94.3	Northern and Western Bohemia (Czech Republic)
Austria (Burgenland)	601	Austria (Ober and Niederösterreich, Wien, Burgenland, Steyermark, Kaernten)	4.6	Austria (Ober and Niederösterreich, Wien)	1	48	South-Bohemia (South Moravia, Jöhesecky)
				Austria (Ober and Niederösterreich, Burgenland)	1.6	16.1	Slovakia ( Bratislava city and county, Senica, Trnava, Galanta, Dunajska Stredka)
				Austria (Burgenland)	40	35.3	Hungary (Gyor-Moson-Sopron, Vas, Zala)
				Austria (Steyermark, Karinthia)	5.1	7.6	Slovenia (Gorenjska Gornja Savinjska Koroska Podravje Pomurje)
				Italy (Friuli-Venezia Giulia, Veneto - 97-99)	9	7.6	Slovenia (Gorenjska, Garike Cost and Karst region)

Table 8. Share of priorities from the total Phare CBC funding (1995–1999)

CBC programme priorities	Priorities in the Multiannual Indicative Programme	1995	1996	1995-96
<b>Infrastruktura</b>	30.00%	31.57%	26.57%	29.07%
<b>Regional planning</b>	3.71%	0.54%	0.52%	0.53%
<b>Economy</b>	42.57%	36.45%	41.78%	39.12%
<b>Human resource</b>	<b>9.71%</b>	<b>6.16%</b>	<b>4.20%</b>	<b>5.18%</b>
<b>Environment and nature protection</b>	10.00%	10.30%	22.87%	16.59%
<b>Small Projects</b>	4.00%	5.14%	1.85%	3.50%

Source: Phare CBC Sopron



Table 9. Financial Table Hungary 2000-2002 (Interreg IIIA-Phare CBC)

<b>Indicative Financial Plan</b>					
<b>Interreg IIIA-Phare CBC Austria-Hungary</b>					
			<b>d</b>	<b>e</b>	<b>F</b>
<b>Financial Table Hungary 2000-2002 (in MEUR)*</b>					
Priority	% share of Total Costs	% share of Phare Support	Total Cost	Phare	National
			d=e+f		
<b>P I: Cross Border Economic Co-operation</b>	23,07	23,33	9,33	7,00	2,33
<b>P II: Accessibility</b>	23,05	20,67	9,32	6,20	3,12
<b>P III: Cross-Border Organisational Structures and Networks</b>	15,10	18,50	6,11	5,55	0,56
<b>P IV: Human Resources</b>	<b>16,47</b>	<b>16,67</b>	<b>6,66</b>	<b>5,00</b>	<b>1,66</b>
<b>P V: Sustainable Spatial and Environmental Development</b>	21,09	19,33	8,53	5,80	2,73
<b>P VI: Technical Assistance</b>	1,22	1,50	0,50	0,45	0,05
<b>Total</b>	100,00	100,00	40,44	30,00	10,44

Source: Phare CBC Sopron

Since Vas county and its institutions built up good relations with the Austrian neighbours quite soon, the Labour Centre of Vas County was able to present well prepared projects as the Phare programme was launched.

One of the human resource development programmes is aiming to improve cross-border labour market policy, to strengthen relations established since 1991. Beside study tours, workshops, conferences with the objective of getting to know the employment systems, labour market situation, experience of both sides, the most important part was the elaboration of Common Austrian-Hungarian Employment Strategy. One of the future-oriented elements of this strategy is the development of the structures of cross-border job services based on the EURES practice.

Important elements are the training programmes for the future trainers both in the 1995 (socio-economic managers) and 1996 (job-orientation trainers) programmes.

In 1997 there were no human resource development programmes approved, while in 1998 the whole Hungarian Phare CBC was withdrawn and the resources reallocated for other purposes, although the Austrian-Hungarian Joint Programming Committee had

already assessed and selected the programmes and projects. Now among the projects for 2000 there is the then approved but withdrawn programme element regarding the establishment of a cross-border labour information system. The problem is that in the meantime the minimum project level was increased to 2 million EURs, causing serious problems in the preparation of a coherent human resource related project. However, the increased share (16%) of funding for human resource development planned for the 2000–2002 period is promising.

### **Other (not Phare CBC) cross-border employment relations**

In 1997 two important labour agreements were signed. The first one secures Austrian traineeship for 300 Hungarians with qualification under 35 from all over Hungary. The second, regarding our topic more important, is the Cross-Border Commuter Agreement. The agreement is for six districts in Burgenland and 3 counties in Hungary. A Joint Committee comprising of 5-5 experts is responsible to decide how many persons, in which sector and in which district are allowed to commute and to examine the experience of execution.

Austrian officials expect from the agreement to channel a certain part of illegal work into legal frames (about one third of the approximately 10 000 Hungarians working in Austria is employed legally; InterregIIIA–PhareCBC, Joint Programming Document, 2000). Legal employment is not only hindered by financial reasons, but as well by the slow, bureaucratic processes making the work difficult to plan (especially in agricultural season work it is a nonsense that a procedure to get commuter visa takes several weeks). This procedure is made significantly faster and easier.

In 1998, 1365 Hungarian applications arrived at the Labour Centre of Vas County for the 550 places and 586 were successful<sup>xii</sup>. In 1999 the quota was increased by 100, but this again was exhausted within a few weeks. The main target sectors are agriculture and tourism.

Apparently there are measures, programmes, institutions along the Austrian–Hungarian border leading towards the “supporting space” referred to by Ratti. Hopefully this supporting space will be able to meet the challenges and requirements of the EU accession and to manage potential political tensions in connection with the labour market in order to avoid the pessimistic scenario of Gendarme.

Although labour market institutions are important elements of the supporting space, in order to fully assess the development possibilities of the Austrian–Hungarian and other border regions with similar problems, of course one should take into consideration other factors of the different spaces (so the elements of the production and market space), their network relations (if this network exists). Further research would be interesting not only in this functional aspect, but spatially as well regarding the potential eastern problem regions (such as the Hungarian–Rumanian one).

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<sup>i</sup> EUROpean Employment Services. The aim of the EURES system is to create a network which provides information gives advice on working and living condition, labour markets, job vacancies and jobseekers in the EU.

<sup>ii</sup> Other commuters inside the EU: 5000–10000

<sup>iii</sup> Based on interviews with Euregio officials in Aachen and Maastricht, and the Report of the Aachen Region (1997).

<sup>iv</sup> In the Euregio comprising of the Belgian Liege and Limburg, the Dutch Limburg, the German Aachen Region and the Belgian German minority there are 3,7 million people living.

<sup>v</sup> In 1994 there were 241 from 1000 involved in the social security system in the Aachen district, while the German average was 353 (Regio Aachen, 1997)

<sup>vi</sup> The Euroadvisers are the key persons of the EURES network. They are labour market experts in the EU. A quarter of the more than 500 Euroadvisers are working in the border regions.(EURES, 1997).

<sup>vii</sup> One can have information on the following subject: principles of free movements of goods and persons; life and work conditions in the European countries; economic development, living standard of member states; social security and tax systems; vocational and retraining programs; European programs helping labour mobility; job offers etc.

<sup>viii</sup> After the fall of the Iron Curtain, between 1989 and 1994 56 thousand new workplaces were established due to increased trade with the former socialist block. Certain sectors would already suffer production bottlenecks, unless they were employing Central-Eastern European workforce (IDM, 1998). About half of the foreigners working in Burgenland with a work permit come from Hungary. They are employed in a few industries only, typically in the construction and construction related trades, in tourism, transport and communications, in the metal-working industry, and in agriculture and forestry. About one third of the approx. 10,000 Hungarians working in Austria are legally employed in Burgenland (Interreg IIIA–Phare CBC Austria–Hungary Joint Programming Document, 2000–2006, 2000)

<sup>ix</sup> Austrian authors refer to the example of the migration patterns of Switzerland and Austria in the 50–60’s, since in this case differences in the levels of development led to 30,000 Austrian out-migrants. However no mention is about the language problems...

<sup>x</sup> One of the main reasons was that organised South–North migration had been an ongoing process for some 15–20 years (Cséfalvay–Landesmann–Matolcsy, 1999).

<sup>xi</sup> Of course the comparison would be more correct if we were able to give the figures of the share from the general Phare program for the concerning border regions.

<sup>xii</sup> Permissions expiring during the year, are replaced by new ones, that causes the difference.

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