



Danube-University Krems

Department for Migration and Globalisation

WOMEN and the ECONOMIC CRISIS

**Integrating social services to
safeguard social wellbeing and to
promote economic growth**

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Contents

Contents.....	1
List of figures.....	2
1. Introduction.....	1
2. The recent economic crisis and the labour market.....	3
3. Employment and the role of social services.....	5
4. Social services and their organisational principles.....	11
5. ‘Industrialisation’ and flexible specialisation of social services.....	13
6. Social services and regional economic growth.....	15
7. Good practice examples: a selection.....	17
7.1. National best-practise examples.....	17
7.2. International best-practise examples.....	20
8. Recommendations and conclusions.....	21
9. References.....	22

List of figures

Figure 1: Economic growth in Austria in EU comparison (change versus year ago of real GDP in %)	4
Figure 2: Relative economic growth of federal states (cumulated economic growth differential relative to the Austrian average, prices 2005)	4
Figure 3: Internal and external migration by political districts in Austria 2002-2010, per 1,000 inhabitants	5
Figure 4: Male activity rates by age groups in selected EU member states 2010	6
Figure 5: Female activity rates by age groups in selected EU member states 2010	7
Figure 6: Public spending on family benefits and its components in selected OECD countries (in % of GDP): 2007	8
Figure 7: Positive correlation between female employment rate (2010) and GDP per capita (in PPS)	9
Figure 8: Integration of social services by deepening and widening the local social infrastructure	14
Figure 9: Specialisation of local communities and cooperation in the provision of social services	15

1. Introduction*

The economic crisis of 2008/09 hit the small Austrian open economy severely — GDP declined by 3.8% in 2009 and the economic shock wave hit the labour market more than expected. Employment of wage and salary earners declined by 1.5% (total employment by -0.9%) and some 67,000 workers or 2% of the workforce were on short term work (Kurzarbeit), an active labour market policy measure to reduce the cost pressure of falling demand on enterprises and the shock of unemployment on the workforce.

The countercyclical employment and active labour market policies implemented had thus a two-pronged approach. On the one hand they were to shield workers and their families from an abrupt deterioration of family income; on the other hand they were intent on reducing the impact of the decline in demand of goods and services on the production costs of export oriented enterprises. The policies implemented did not, however, have a vision of long-run policy reorientation towards an increasingly knowledge driven society in which a sound social economy and infrastructure represents the backbone of sustainable economic growth.

Thus, the Austrian economy and society continue to be firmly grounded in the male breadwinner model, where a major part of care work is relegated to the household and where full-day schools and nurseries continue to be the exception rather than the rule. Accordingly, 43% of female work is part-time (2010), a practice which tends to reduce chances of raising the level of efficiency and the proportion of professionals in care work on the one hand and career opportunities of women (and men) in the respective employment sectors on the other. The high and rising gender pay-gap is only one outcome (25.4% in 2009) of this policy stance, the pronounced gender segmentation of education streams and occupations another.¹

This raises the question to what extent socio-economic development policies which are backed up by an innovative and flexible social infrastructure can be an avenue towards the achievement of sustainable economic growth and social cohesion in various regional settings. Towards this end the study looks into ways and means to promote social services provision such that they are affordable for everyone while at the same time being of high quality; another issue refers to the incentive systems necessary to promote formal employment in social services and the implications for the institutional set-up of social infrastructure, above all of child care and care services for the elderly and needy.

Given this research objective four Austrian pilot regions were selected which face different challenges in the funding and organisation of social services due to large disparities in the demographic, geographic and socio-economic environment. The demographic differences arise largely from diverging developments in the composition of the regional population by age, skills and ethnic and cultural background. While some regions are confronted by pronounced outmigration, mainly of

* This is an abridged and updated version of a research study undertaken in German by the Department of Migration and Globalisation at the Danube University Krems (Biffel et al.). I thank Anna Faustmann for research assistance and for updating the statistical data files.

¹ For more see Biffel 2010: 474.

young and dynamic skilled workers, others are marked by increasing population inflows, often of external migrants in the wake of family reunification and chain migration.

Obviously, the social policy mix in the first region, which is faced by rapid population ageing, has to be different to the one in the second region, which has a slower ageing process but a rising, ethnically diverse population. Not only is the composition of social policy affected by that change but also the economic growth potential. While regional net outmigration is sapping the very life-blood of economic growth, skilled labour, the increasing ethnic diversity of the population poses other challenges. As it is largely flowing from chain migration, the skill composition of the migrant inflows tends to be at the lower end of the educational attainment level. In the absence of a comprehensive system of lifelong learning growth options are not overwhelming, particularly as those regions tend to be old industrial zones which face substantial international competition in the wake of the internationalisation of industrial production.

In this context it is becoming increasingly obvious that local decision makers are faced by different challenges, depending on their local demographic and socio-economic ramifications, not least because of diverse skill requirements in the various social services, which the local education and training system very often cannot sufficiently supply. Accordingly, the issue of the organisation of social services moves centre stage, in particular the mix between services provided in a community context by the market, by households and by the informal sector and the implications for the education and training system and for public funding.

In order to find some answers to these questions the study looks into the social service provision in four EU-MS with a highly developed social infrastructure and compares the various institutional set-ups and regulations with Austria. The countries selected for comparison are the Netherlands, Denmark, Sweden and France. The focus of the analysis lies on the impact of a well-developed social infrastructure on the activity and employment rate, on the funding and organisation of various social services, on the implications of different incentives for individuals and for public policy, in particular the investment in further education and training, which has long-run implications for economic growth.

The four Austrian regions selected for in-depth analysis are Neunkirchen, Schwechat, Osttirol and Leopoldstadt. The first is an old industrial zone in Lower Austria, which was among the first to employ migrant workers in the 1960s. Today the industries with a high foreign workers share are under severe international competitive pressure (textiles, clothing, metal and machine industries), diminishing the economic growth potential of the region. Native workers are starting to move out in search of better job opportunities; the outflow is more than compensated by migrant inflows.

Schwechat on the other hand is situated at the Eastern border of Vienna in Lower Austria, en route to the international airport, with good transport and road connections but fairly weak social infrastructure. Population grows due to inflows of young, dynamic and skilled workers from Vienna, largely working in business oriented services. They are grasping the opportunity for acquiring good quality and affordable housing, not considering the implications of a lack of flexible childcare services in the vicinity.

Osttirol is a peripheral, mountainous region in Tyrol, far from any dynamic economic agglomeration. The services sector is underdeveloped, apart from tourism, and SMEs (small and medium sized enterprises) in the commercial and industrial and crafts segment are dominating the economy. The whole region is falling behind in economic growth relative to the rest of Tyrol, leading to net outflows of skilled workers, population decline and rapid ageing. Consequently schools are closing down in rural regions while the demand for elderly care is rising.

The fourth region, Leopoldstadt, is a district in the city of Vienna with a high share of ethnically diverse migrants in the population. The rainbow district harbours inhabitants with a wide spectrum of socio-economic backgrounds, poor and unskilled labourers of diverse migrant background in some of the old housing complexes on the one hand and highly skilled natives and migrants on the other. The region is increasingly also attracting Bobos², giving the region a flair of being 'in'.

2. The recent economic crisis and the labour market

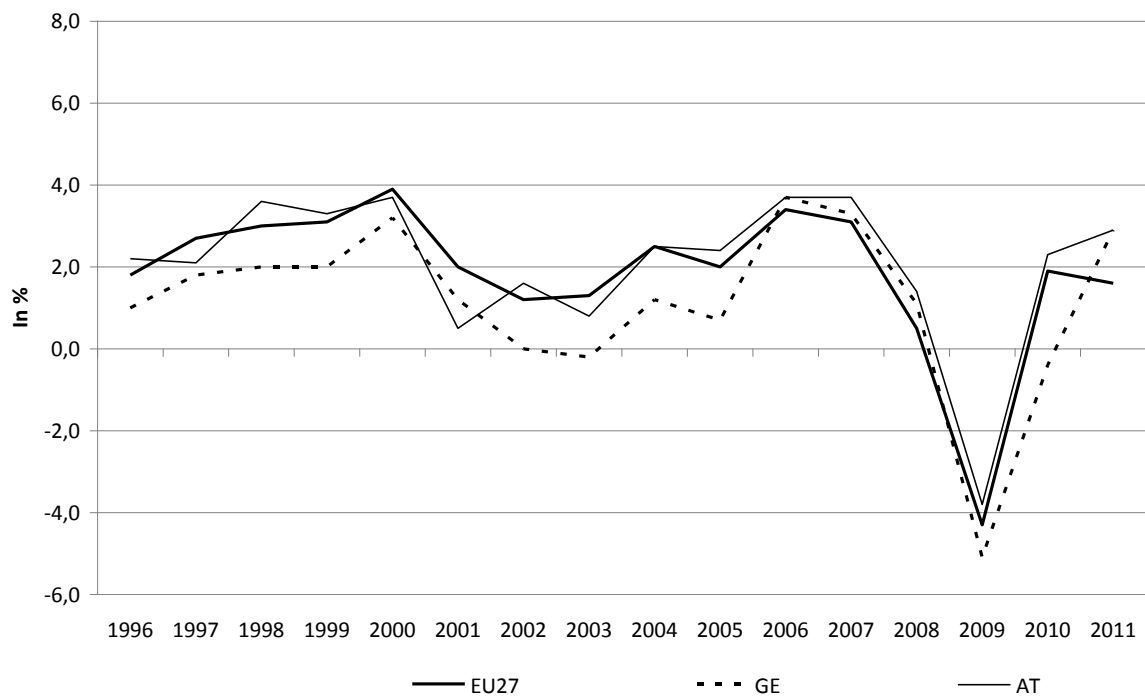
In international comparison the recent economic crisis reached Austria somewhat later than our main trading partner, Germany, but hit the economy just as hard. It affected above all export and market oriented industries. Given the pronounced industrial and occupational gender segmentation of employment, the crisis affected above all male employment. Women experienced hardly any employment declines, the gender segmentation effect being augmented by an added worker effect. This means that female labour supply increased in the year of the crisis in order to stabilise family income (+12,000 or 0.7%), while male labour supply declined (-13,400 or -0.7%). This employment behaviour of women tended to contribute to the more than proportional employment losses of migrants who are on the one hand concentrated upon cyclically sensitive jobs, on the other in jobs where they are in competition with secondary workers, often low skilled married native women. As a result migrants became unemployed and many escaped into informal work, often cleaning and care work in domestic services.

On a regional level, longer term economic growth is not equally distributed. While the more industrialised regions in the West of Austria tend to be on a positive, stable longer term growth path, the regions in the South and East tend to have a more volatile growth performance. Vienna is in a particularly difficult situation as it is losing some of its traditional industries to neighbouring regions and countries in the East, while the objective to become a hub for international market and business oriented services for the CENTROPE-region is slow to materialise (Römisch et al. 2011).

Accordingly, unemployment rates tend to be highest in Southern and Eastern regions of Austria and lowest in the West. But also in Western federal states (Bundesländer) peripheral regions like Osttirol face high and rising unemployment and population declines (Biffel et al. 2009).

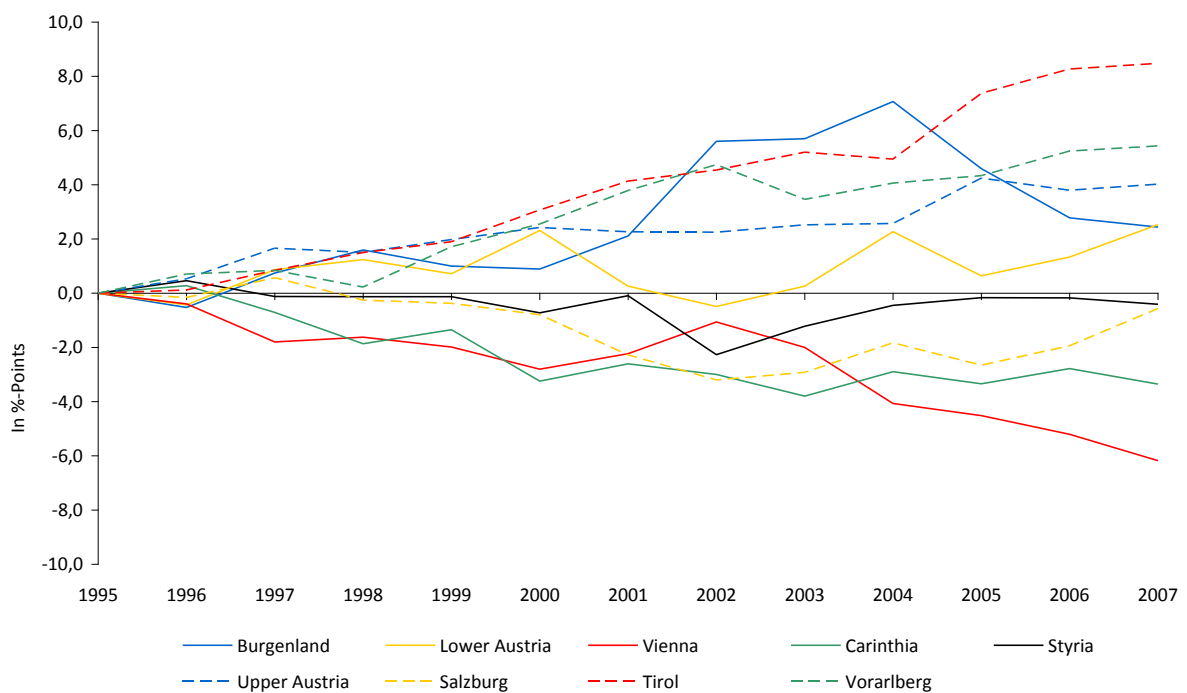
² This term is an oxymoron composed of the two terms 'Bourgeois' and 'Bohemien', featuring in David Brooks' book 'Bobos in Paradise' (2000).

Figure 1: Economic growth in Austria in EU comparison (change versus year ago of real GDP in %)



S: EUROSTAT.

Figure 2: Relative economic growth of federal states (cumulated economic growth differential relative to the Austrian average, prices 2005)

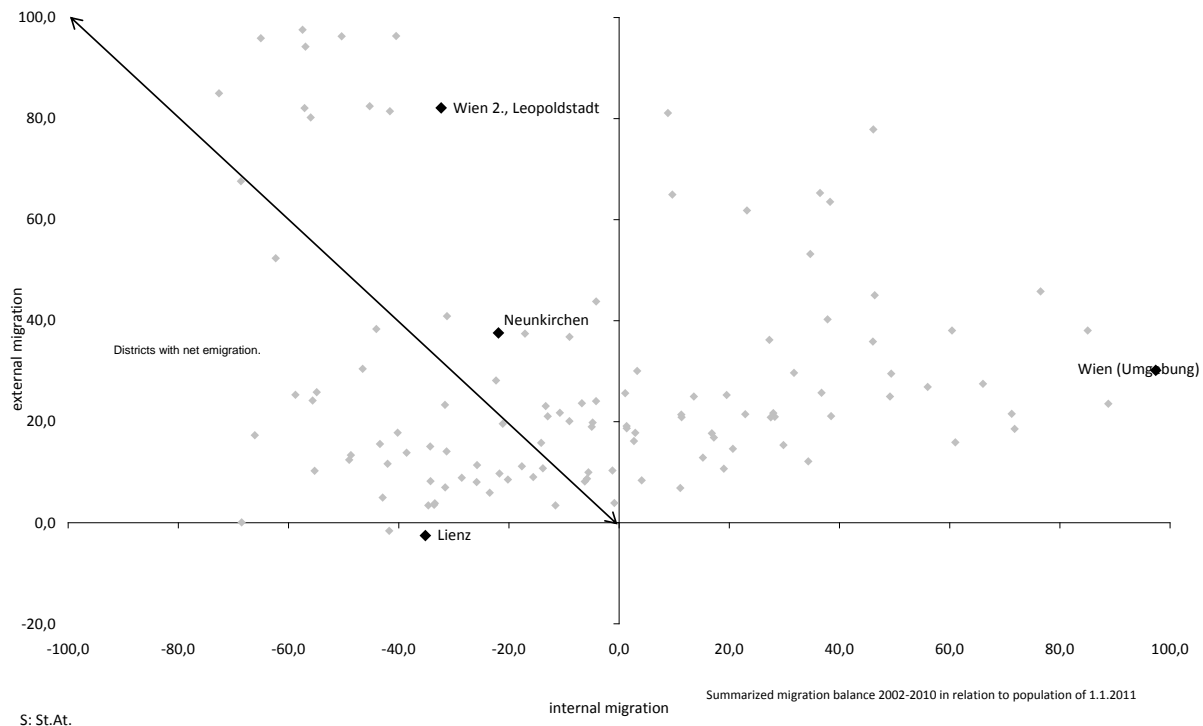


S: St.At.

The migration flows by political district (121 in all) provide vivid insight into the compositional change of local populations due to internal and external migration and signal the implications for local employment and economic growth. Figure 3 indicates the changing size and composition of the population due to migration in the period 2002-2010 (summarised migration balance between 2002-

2010 per 1,000 inhabitants). Accordingly, the population grows in Schwechat (Wien Umgebung) due to net inflows from other regions in Austria, largely Vienna, and to a lesser extent also through external net inflows. In contrast, Neunkirchen experiences a net outflow of natives which is more than compensated by net external inflows. This holds also for the second Vienna district of Leopoldstadt, which has a growing population due to external migration inflows which are significantly higher than the outflows from the district. Osttirol (Lienz) on the other hand has a declining population due to net internal and external outflows.

Figure 3: Internal and external migration by political districts in Austria 2002-2010, per 1,000 inhabitants



The changing size and composition of the population by age and ethnic background has important implications for the provision of social services including education. Osttirol has to transfer funds and infrastructure away from childcare and schools to health and care services for the elderly, thereby potentially speeding up the process of outmigration of young families with children. Neunkirchen on the other hand has rising numbers of children of migrant background in need of special migrant sensitive care and schooling. Also labour market services are confronted with a greater need for active labour market policy measures to raise the employability of the workforce.

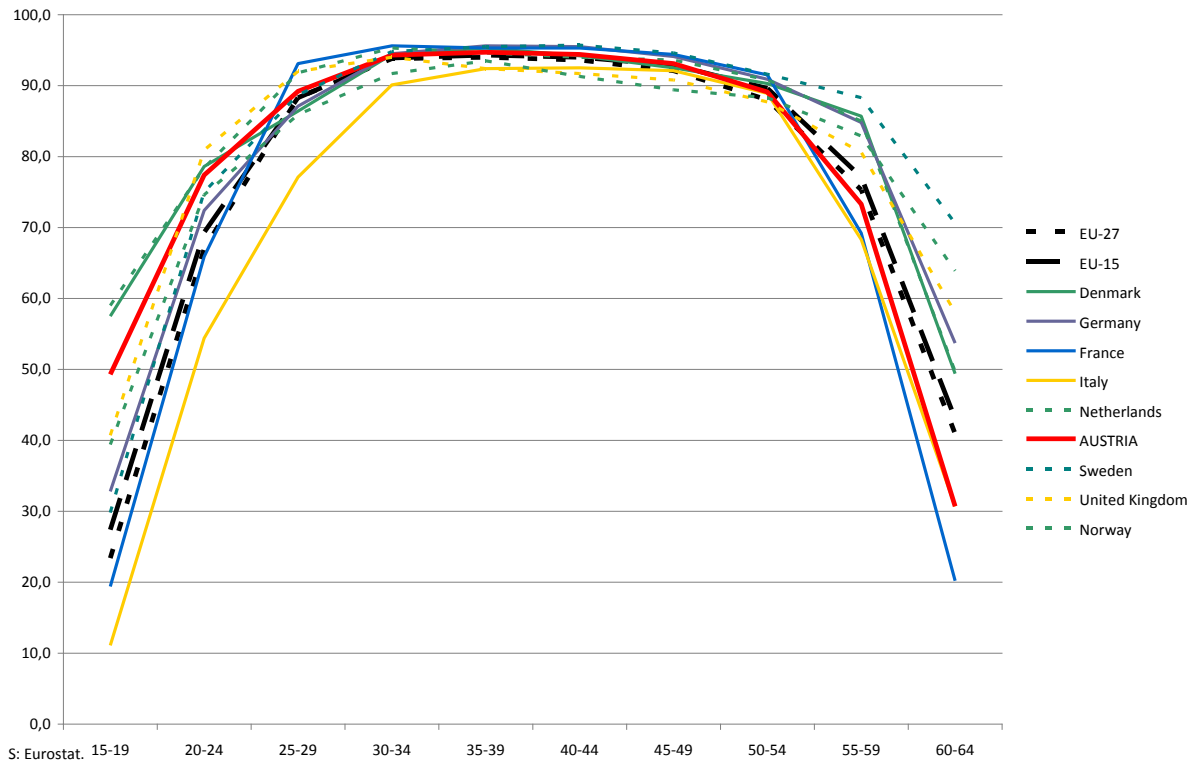
In this situation the development of an efficient and adequate social economy and infrastructure may play an important role in putting a break on outmigration and in securing local labour supply to bolster the economic growth potential.

3. Employment and the role of social services

Austria's labour market integration of the working-age population (15 to 64) is slightly higher than in the EU on average. The activity rate of men was 80.9% in 2010 compared to 77.7% in the EU-27 and

79.0% in the EU-15. For women, the activity rate was 69.3% in Austria relative to 64.5% in the EU-27 and 65.8% in the EU-15. Not only the levels of labour force participation differ considerably between the member states, particularly in the case of women, but also and primarily the age patterns. This is largely due to different, historically grown social protection and education systems, which account for large variations in the activity rates at the lower and upper end of the age spectrum, in the case of women also the medium age bracket.

Figure 4: Male activity rates by age groups in selected EU member states 2010

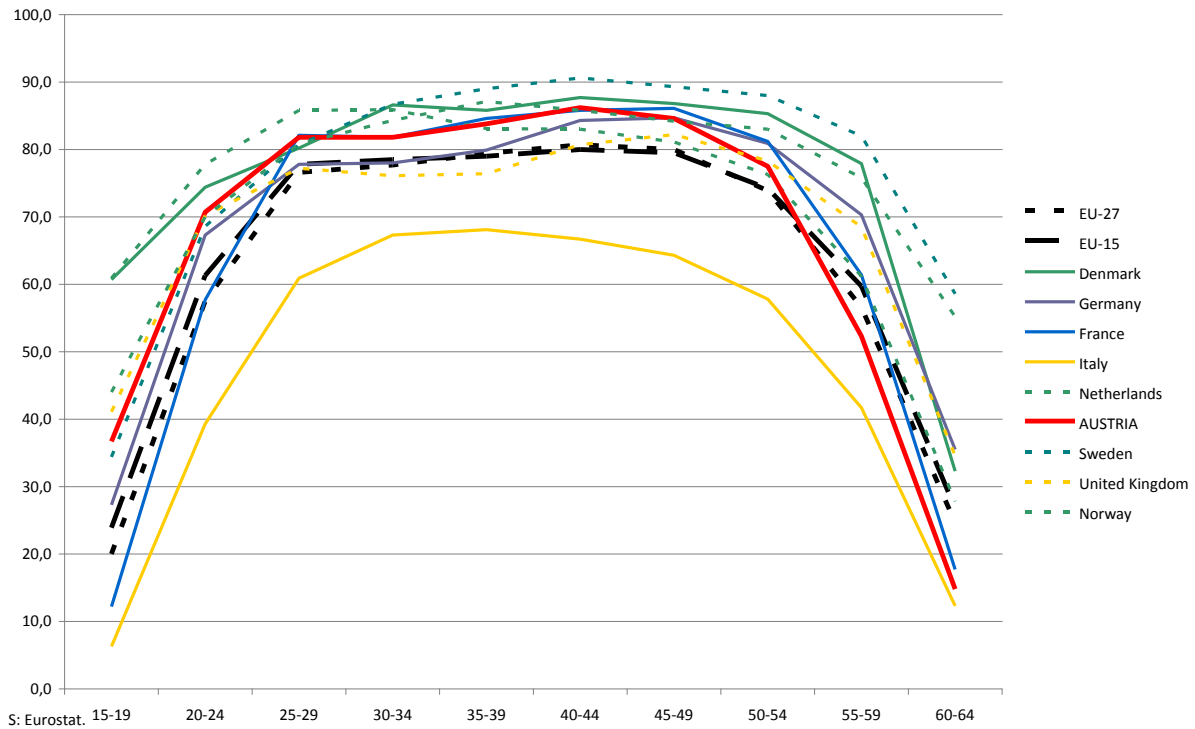


While in some countries youth tends to be engaged in full-time schooling until the age of 17 or 18, not offering opportunities for combining school with part-time work (e.g. Italy and France), other countries like Austria have important educational streams, namely the apprenticeship system, which combine theoretical, school based learning with on the job training. This explains the high proportion of 15 to 20 year olds in employment in Austria and the low rates in Italy. In contrast, Austria is among the EU-MS with the lowest degree of integration of older workers into the labour market while the Nordic countries have the highest rates. These disparities arise from different retirement systems and labour market regulations. While Austria, Italy, Belgium and France have opened up early exit routes from the labour market for mature workers, whose employability was reduced in the wake of economic restructuring and the wear and tear of work, the Nordic countries opened up avenues for part-time work and a slow-down in work, supported by financial incentives to stay on (OECD 2006). The effect of these policies on activity rates of men can be taken from Figure 4.

In contrast, the different organisation of care work and other social services is the major explanatory factor for the significant differences in activity rates of women in the medium age bracket (Biffi 2004). This is the phase in life where women and men try to strike a balance between market work and family life. A different set of taxes, transfer payments and public services in the various EU-MS

results in a divergence of incentives to provide services, largely care work, at home or in the labour market. In the Nordic countries, a tax system based on individual taxation with high marginal tax rates provides the incentive for every family member to engage in market work. Thus, the state welfare system opened up formal sector employment opportunities for women, allowing female employment rates to rise to male levels. Accordingly, social services are organised by the state rather than the family at home. A solidaristic wage policy reduced the wage gap between men and women to one of the lowest in Europe in spite of a pronounced gender segmentation of work – men are predominantly working in private industries and women cluster in care-oriented public services³.

Figure 5: Female activity rates by age groups in selected EU member states 2010



In contrast, in countries like Austria, a complex system of family allowances (tax rebates for single earner households and child care benefits) together with generous transfer payments to households (benefits for the disabled and (older) persons in need of care), promotes the provision of personal services by households rather than the market. While Austria has introduced a system of individual taxation in the early 1970s, it cannot completely offset the incentive provided by tax benefits and transfers for service provision in the household. As a result, employment rates of women in Austria are lower than in the Scandinavia, particularly if calculated on the basis of full-time equivalents. (Figure 5)

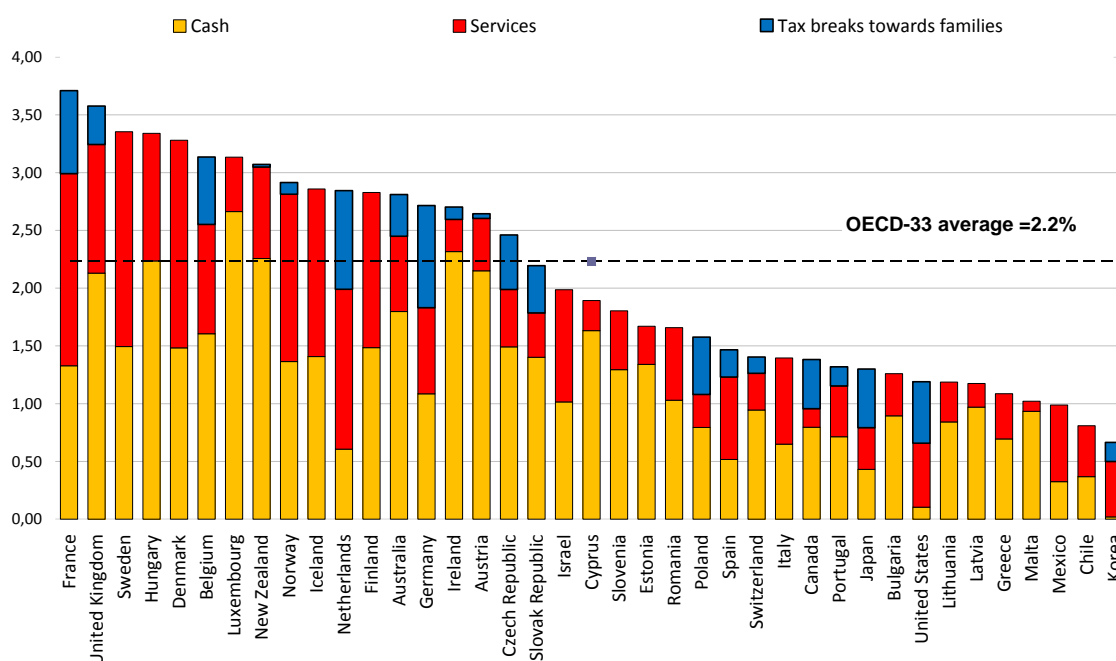
In this context the two sides of the social economy become manifest: on the one hand social services open up employment opportunities for women, to a lesser extent for men in view of the persistence of traditional gender roles; on the other hand the availability of adequate, affordable and good

³ Research on gender segregation of work demonstrates that high levels of occupational segregation of work exist in all modern industrial societies, also in Scandinavia. There is considerable consistency across countries in the extent to which women are concentrated in certain major occupational groups (Anker, 1998).

quality social services is a prerequisite for women to turn to the market for social service provision, in particular care work. Consequently, the higher the activity rate of women, the higher the share of social service provision via the formal labour market.

Compared to other EU countries, Austria invested relatively little in the expansion of the so-called productive social infrastructure, i.e. affordable high quality child care, elderly care and other social services (Bock-Schappelwein et al. 2009). It can be taken from Figure 6 that public expenditures on family policy in Austria are higher than in the OECD on average, with 2.6% of GDP compared to 2.2% in 2007. The bulk of the money goes into cash benefits to the households: Cash benefits sum up to 27.4% of the household income of the working age population in Austria, compared to 15.8% in the OECD on average (OECD 2008: 103). Funding of institutionalised child care services on the other hand makes up only a small part of public expenditures.

Figure 6: Public spending on family benefits and its components in selected OECD countries (in % of GDP): 2007



S: OECD family data base.

In contrast, in the Nordic countries, the Netherlands, France, the UK and Germany a much higher proportion of public spending on child care goes into the provision of services by the formal labour market, either by public or private providers. The organisation of childcare services by the formal sector rather than by households or the informal sector does not only create employment opportunities but allows also the focus on specific needs of children, e.g. culturally sensitive care, via the division of labour and specialisation of services. In so doing, the quality of the service can be improved as well as the efficiency of service provision.

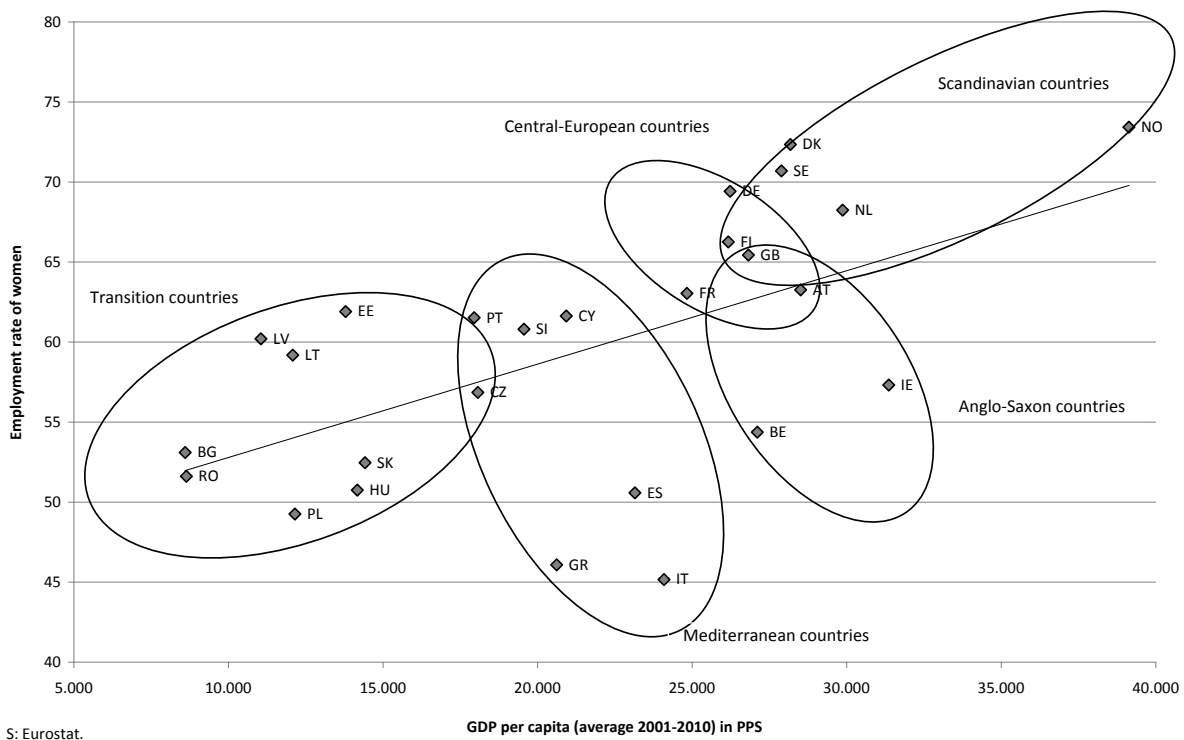
Marketisation of household production does not only show up in a higher market employment rate of women but has also important implications for the production possibilities in the market sector. There is a positive relationship between the economic development level of an economy, measured in terms of GDP per capita, and the employment rate of women. (Figure 7) This may be explained by

the fact that the more complex the economy, the greater the need for diverse and highly specialised skills. In this environment, the market offers greater opportunities for the division of labour, the application of a different technology and the achievement of economies of scale than the household and informal sector. (Bassanini et al 2001, Behrens 2000/2003)

Dhont & Heylen (2006) argue that the Nordic countries have performed best in Europe in terms of per capita economic growth in the period 1995-2004, (as well as or better than the US economy) due to marketisation of domestic work, which allows a more efficient allocation of resources.

The consequence of outsourcing of domestic work to the market is a boost to the demand for low skilled labour. In contrast, the preservation of work in the household sector tends to lock in any type of skills in household work. This fact may contribute to skill shortages on the labour market and thereby restrict the economic growth potential. As Freeman & Schettkat (2001) put it: "As long as some skilled and educated persons produce in the household, rather than buying in the market, the demand for low skill labour will be less in the economy with greater household production."

Figure 7: Positive correlation between female employment rate (2010) and GDP per capita (in PPS)



Thus outsourcing of household work increases employment opportunities in the market for persons of any skill level due to the greater potential of the market for the division of labour into various tasks and skill requirements. The output is produced more efficiently than in the household, in particular in those tasks which lend themselves to economies of scale and technical progress. This is to say that the market has the capacity to produce goods and services, which are substitutes for domestic work, more efficiently than the modern, core family, small scale households. Time use surveys in Europe show that in countries where women work lower hours in domestic work in favour of market work, they outsource above all laundry and ironing, cooking & dish washing, cleaning, child care for children over 7. (EC 2004)

Marketisation of household production contributes to a more efficient and equitable allocation of resources. The latter may raise the productive potential of the society and promote economic growth and welfare⁴. The question of the causality is not clear, however. Is it the need for highly skilled labour resources in rapidly developing industrial and post-industrial societies that pull women out of the household sector (demand pull factors) or are individualisation processes (supply push factors), in particular the autonomous trend towards higher education or changing social and cultural norms and values (featuring in equal opportunities legislations) the major driving forces for a new organisation and division of labour?

For domestic work to be outsourced the market must have a productivity advantage over household production, i.e. the value of household production must be lower than the substitute market good. Time use surveys show that there is a clear negative correlation between GDP per capita and average working hours of women in domestic work. This negative relationship may partly be the result of an underestimation of the value of household production in GDP.

The incentive to outsource domestic work to the market is affected by the earnings opportunities on the labour market on the one hand and the cost of market substitutes for domestic goods and services on the other. The relative prices are affected by the “tax wedge” between the household service (no taxes on household production in combination with transfer payments for non-market work — family benefits) and the market good (net earnings from market work in combination with market taxation of goods and services). The higher family transfer payments (particularly when combined with single earner tax rebates and/or combined family income taxation) the lower the incentive for women to work on the labour market. Also the dispersion of wages by skill level has an impact on outsourcing work from the household sector, i.e. the higher the wage dispersion the greater the incentive by the better skilled persons to transfer household work to the market and the lower for low skilled persons.

Thus, the compressed wage differentials by skills in the Nordic countries in combination with high marginal tax rates and individual taxation provide an incentive to maximise market work on the part of all family members (supply side). As to the price of substitute domestic goods, the universal access to social services at comparatively low cost (highest ‘productive’ government expenditures in the EU) in combination with low non-employment transfers provides the incentive to ‘buy’ substitutes for household goods and services on the market. Thus, the combination of institutional arrangements which act on the demand and supply side of the providers/consumers of social services promotes outsourcing of domestic work to the market sector. The market orientation of labour supply has the additional effect that it is a powerful incentive device to invest in one’s human capital, i.e. education and training, to maximise individual and social returns. The social return to higher education is particularly pronounced in a society and economy which is increasingly based on knowledge work.

In contrast, high income taxation, comparatively low skill differentials in wages and high non-employment transfers to households (family benefits) promote the production of goods and services

⁴ Higher welfare levels may be associated with a low social gradient (small differences in income, education, housing standards), longevity and the preservation of a reproduction rate of fertility. The Nordic countries seem to do best on all these accounts and the Southern and CEECs worst.

in the household sector — thereby reducing the labour supply of skilled workers and reducing potential economic growth. In contrast, the Anglo-Saxon model (UK) promotes outsourcing of domestic work by low wage taxation and large wage differentials by skills on the one hand and limited (means tested) transfer payments to households, i.e. in a similar manner as the USA.

The differences in the organisation and funding of child care do not only have an impact on the degree of integration of women into the labour market, on the extent of education and training of women and economic growth but also on the fertility rate. Countries that provide ample access to (heavily subsidised) child care facilities provided by the state or private institutions tend to have a higher fertility rate than countries which tend to relegate child care to the household. As a consequence, the Nordic countries take the lead in terms of the fertility rate⁵ with an average of 1.9 children per woman. A similarly high rate can be found in France. All the other Central and Southern European countries with less comprehensive systems of full-day public child care have lower fertility rates (on average 1.3). The Anglo-Saxon countries (UK and Ireland) have also comparatively high fertility rates (1.8) as care services tend to be outsourced. In addition to public child care, a comprehensive school system, which offers full-day schooling, does not only set human resources free in the household sector but contributes to the creation of jobs for professionals but also unskilled work. The same holds for the provision of care for the elderly (nursing homes or flexible mobile care in households organised by NGOs or communities). The organisation of these types of social services allows a healthy balance of work and family life for women and men in society without jeopardising the welfare of individuals or groups of persons.

As a consequence of the interaction of the various incentive systems, more working potential is bound to the households in Austria than in Scandinavian countries. This is reflected in a lower female labour participation as well as a higher share of part-time employed women in the main childbearing and -rearing age, many of them half-day or less working hours. Such behavioural patterns lead to a scarcity of labour, especially skilled labour, on the labour market. This results in a pressure to raise skilled immigration — the introduction of the Red-White-Red Card of immigration in 2011 in Austria is evidence of this logic⁶ — and in faster urbanisation as people leave rural areas and move into towns. The latter is increasingly driven by outmigration of highly qualified women who need an adequate social infrastructure in order to improve their employment and earning opportunities without having to compromise and give up fertility.

4. Social services and their organisational principles

International research indicates that the organisation of social services, in particular child care, care and assistance for the sick and elderly, and education and training does not only have an impact on the persons looked after and taken care of but also on the families, the regional economies and the productive potential (Morissey — Warner 2007, OECD 2002). Where these services are organised locally via the labour market, not only female employment rates are higher but also the regional productive output.

⁵ Fertility rate is defined as the average number of live births to a woman in her reproductive years.

⁶ For more see Biffl—Bock-Schappelwein 2011.

To organise social services and to ensure certain quality standards, the support of the state is necessary, on the one hand to set-up, coordinate and fund the provision of these services, on the other to define quality standards and quality assurance mechanisms. In Austria no comprehensive system which defines quality standards and criteria to which suppliers of social services have to adhere to is given. This holds to various degrees for the provision of care by the private sector, often self-employed, as well as the public sector, mostly the communities, NGOs and of course households. Accordingly, the entry threshold for suppliers of care services is low, given vague criteria and limited control mechanisms. Consequently, it is not easy for households to make informed decisions on who to turn to for care services as there is a lack of information on the local availability of the various social services, the costs involved, the quality of the services offered, the opening hours, and the skills and competencies of the personnel involved in service provision.

All these factors are important reasons for preferring to provide the services at home, often with the help of clandestine labour. Such circumstances are the feeding ground for the informal sector, which does not only circumvent the payment of taxes but also opens up opportunities for exploitation of clandestine workers. In addition, the quality of service provision for the individual consumer is not ensured.

This raises the question on how best to re-organise the current system of social service provision such that the needs of the individuals and groups of individuals are catered for while at the same time making the services affordable for the clients and consumers. This is where the situation in some EU-MS is analysed, in search of best practice examples which can guide Austrian decision makers in their quest to improve service provision, while at the same time raising productivity and rendering the services affordable.

Of course, the funding of social services plays an important role in service provision. The Netherlands is a particularly interesting case in this context as it implemented substantial reforms in social service provision as a result of increasing funding and budgetary problems as early as the 1980s (Kapteyn et al. 1998). Over the last 25 years the Netherlands moved away from transfer payments to households towards market provision. This policy did not only contribute to a rise in female employment but relaxed budgetary pressures and gave a boost to economic growth without compromising on the quality of service provision.

Major organisational differences of social service provision are an outcome of different funding systems, the two possible roads being funding out of the general tax fund or out of contribution based social insurance funds. While it is often not easy to find a clear dividing line, some countries tend to be more centred upon the risk insurance principle, e.g. France, Austria and the Netherlands, while others have a focus on universal provision out of the general budget, e.g. the Nordic countries. Apart from the general funding principles organisational differences may arise from a different focus of subsidisation, be it the consumer or the provider of the service. The five EU-MS chosen for detailed analysis have various combinations of the one and the other policy orientation in child and health care, resulting in a different set of incentive systems and differing degrees of provision by the market, the household and the informal sector (Bettio/Plantenga 2004: 86ff).

The Netherlands, for example, finance child benefits out of the general tax fund (until the age of 18) while Austria is largely drawing upon employer and employee contributions and only to a limited

extent upon the general tax fund. In contrast, both countries finance health care services largely out of a health insurance fund. Denmark on the other hand is funding both child benefits (up until the age of 18) and health care out of the general budget, whereby the provision of these universal services is in kind. Sweden again is choosing a different path, paying child allowance until the age of 16, thereafter offering generous grants to youth in case of prolonged education.

In France as well as in Austria social services are largely funded out of employer-employee social insurance contributions. Child allowance is granted from the second child onwards in France until the age of 20. Austria, in contrast, pays child benefits for every child until the age of 25. This is an exceptional case in the EU and the Austrian way to subsidise further education of youth, in particular also university education.

In France and Austria elderly over 60 in need of health care receive an income-related but not means tested allowance, the amount depending on the level of need. In the Nordic countries, universal health care services are funded out of the general budget; institutional care and mobile services are increasingly intertwined.

The French social services system is highly centralised giving less discretionary power to the municipalities than in the Nordic countries, Austria and the Netherlands. In Austria, up to 80% of the people in need of health care are cared for by family members, supported by mobile nurses and other social services.

5. 'Industrialisation' and flexible specialisation of social services

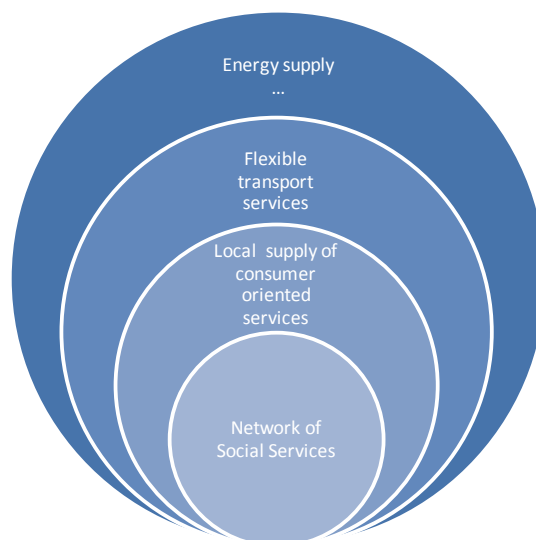
The analysis of the Austrian pilot regions and the expert interviews offered insights into the functioning of the system of social service provision and helped identify possibilities for increases in efficiency as well as the improvement of the quality of care services. A major source of productivity increases lies in the coordination of various types of social services in a local and regional context. Another is the integration of a set of services along a 'supply' chain, i.e. a system of organisations, people, technology, activities, information and resources involved in bringing the service from the supplier to the consumer. The supply chain of social services is a complex and dynamic supply and demand network of social service providers and consumers of social services, linking them up, including all stakeholders, via information platforms and logistics. The latter is of particular importance in rural areas where the distances between the various communities are significant. They have to be bridged via flexible mobility and transport services in response to the needs of individuals and groups of people.

The analysis suggests that the social economy can be organised with the help of scientific management methods similar to market oriented business services or consumer oriented market services in private industries. The personal service has to be 'customised' according to the needs of the individuals while the organisational structures and the management may be 'industrialised'.

To co-ordinate such a complex set of needs and providers is beyond the possibilities of individual households and private initiatives. What is needed is an institutional framework backed up by incentive systems like the subsidisation of care providers, which only receive the subsidy if more than one local community is served, thereby allowing economies of scale and the reduction of the fixed

cost-element for every community. Such a scheme ensures the survival of child care services in remote communities thereby contributing to the stabilisation of local populations and economies.

Figure 8: Integration of social services by deepening and widening the local social infrastructure



A special concern of the experts interviewed was the current lack of professionals in the area of care work. As a result, the proportion of persons in institutionalised care is significantly above the European average, which is costly both in financial as well as psychological terms. Many of the needs could be better served by combining mobile services in households, also of a highly specialised character, with institutional care. Today many household members offer care for which they are not properly trained. This may lead to a burn-out and exasperation of the caretaker as well as the person who is receiving care.

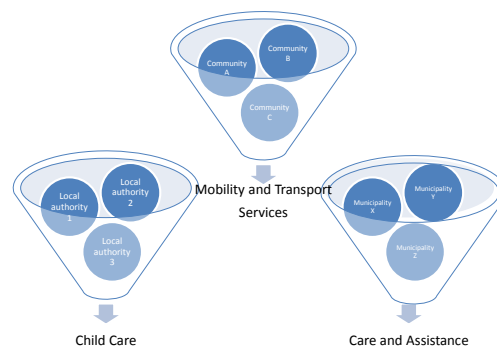
In order to ensure the affordability of social services of high quality which are close to home, the integration of various services which are coordinated locally, employing modern information and communication technology, may be an adequate way to go. Such a set-up allows to serve diverse individual needs via the division of labour, creating jobs for professionals as well as less skilled workers. The productivity increases resulting from the division of labour and their coordinated implementation sets labour resources free which augment local labour supply thereby reducing skills shortages, which in turn raise the economic growth potential of the region.

By outsourcing certain tasks (e.g. accounting, organisation of care services, coordination of transport services etc.) to specialised agencies or to one or the other municipality in a group of municipalities which cooperate, cost savings can be generated. The integration goes beyond supply and demand of services and includes various stakeholders and administrative levels and functions in a local and regional context.

Figure 8 visualises such a concept of local services networks. Such a set-up which cuts across various localities as well as services offers opportunities for reducing fixed-cost elements of social infrastructure in the communities, where one local community may specialise on elderly care for a group of local communities while another may specialise on child care, tutoring etc. The various local communities and services are connected via flexible transport systems. (Figure 9) The social services network which is close to households and which combines mobile services with institutionalised care

may also provide accounting services for various individual households who may lack the skills and resources to fulfil legal requirements in the area of tax payments, funding institutions and the like. In this sense, the integration of various social services and their networks may lead to job creation not only in the care services proper but also at the interface of care work, e.g. for drivers, helpers, computer specialists, accountants, general managers and so on.

Figure 9: Specialisation of local communities and cooperation in the provision of social services



In such a network, stable employment can be ensured, the quality of service provision monitored, further education and training by the labour market service can be added in according to the local needs. Also non-profit temporary work agencies can be part of the scheme, raising the flexibility of the system, as fluctuations in demand may require flexible forms of employment. Voluntary work may be integrated in such a network as well, contributing to social inclusion and cohesion in local communities.

6. Social services and regional economic growth

Research into the driving forces for economic growth has a long tradition. In spite of that, many uncertainties remain and economists and representatives of other disciplines disagree today just as at the times of Keynes about the major determining factors for economic growth. An understanding of the processes involved is of particular importance for the promotion of regional economic growth and for regional policy and decision making. (Armstrong/Taylor 2000)

The EU takes a very optimistic view relative to the convergence of economic growth and well being between and within the EU-MS; as convergence will not happen as a result of market forces, the EU pursues this objective by offering subsidies and benefits to the various economically backward

regions via structural funds such that they may catch up, thereby reducing regional disparities of GDP per capita⁷.

In spite of these funding and promotion efforts, regional disparities in economic performance within and between the various EU-MS do not decline. The 'new economic geography' (Krugman 1991) provides some insight into the reasons for the persistence and even widening of regional disparities. According to Krugman the interaction of economies of scale, a result of regional specialisation of production, with factor price differences promotes economic growth of those regions that are already successful. This means that unfettered market forces tend to increase regional disparities and promote processes of urbanisation. Spatial concentration processes happen in large conurbations (metropolisation) as well as in regions, leading to regional agglomerations and a drainage of people from rural and peripheral areas. This is why Krugman argues that the international trend towards urbanisation is largely a consequence of economic market forces.

Other social sciences point out, however, that the trend towards urbanisation may not just be an effect of economic forces. Other social, cultural and institutional factors may also be contributory factors. Ostrom (1990), the Nobel Laureate of 2009, argues, for example, that urbanisation may be a result of larger social changes. Traditional lifestyles and forms of socio-economic organisation, which tend to preserve habitation in peripheral regions and rural areas, are becoming less common. Our societies are becoming increasingly flexible both in the labour market as in private life, promoting individualisation. Individualisation has important implications for society, not least for the role of men and women in society. It implies a need for equal opportunities of women, in particular earnings and career opportunities. If equal opportunities and career opportunities of women are to a lesser extent possible in rural communities, outflows of women from those communities will be the consequence.

Also technological change has an impact on communities: on the one hand it promotes specialisation and economies of scale, on the other decentralisation and individualisation as networking with virtual communities satisfies the need for social interaction. Accordingly, the need for social interaction and moral support is no longer bound to a certain locality. Thus, the linkage to virtual communities tends to reduce the sense of responsibility and participation for the neighbourhood and local communities. While the need for increased flexible geographic mobility is recognised, the information society offers new ways of participation in economic, social and cultural life which can act as a countervailing force against the rural exodus. Access to broadband ISDN (Integrated Services Digital Networks) is, however, a prerequisite for the decision to stay in rural areas.

All these factors have to be taken into account by spatial planners and political actors when they want to put a brake on the rural exodus. They have to modify and adapt the local infrastructure to the changing needs and behaviour patterns of the inhabitants, if they want them to stay in the local communities.

If society is convinced that the survival of rural communities is worthwhile because of a better quality of social life and because of better chances for society to strike an ecological balance and preserve

⁷ European Communities (1987), Article 23 introduces the objective of economic and social cohesion: "...the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions of islands, including rural areas."

the environment, social and political actors will undertake the reforms necessary. This means that local actors will have to adapt the social infrastructure to new values and behaviour patterns. But in order to be able to do that the fundamental questions about values like the environment, self-fulfilment and participation in social, economic, cultural and political life, will have to be raised as well as the question on how best to live those values.

If this fundamental question of preferences and values is not raised, the challenge can not be addressed by policy makers and social actors and institutional adjustments and organisational changes will not take place. In the absence of social and political forces, market forces will take over and lead into the inevitable, namely the emptying of rural areas and the increasing concentration of people in urban areas.

We do see, however, alternative ways of social organisation, where communal life and work is moving centre stage in communities in Austria and abroad. We tend to see these as social experiments, separate from and independent of the economic system. In reality, however, these alternative ways of social organisation, which differ from the mainstream, have the survival and promotion of local economies at the very core of their strategy. The general understanding is that economic pursuits can only be successful if the social infrastructure, the core being social services like education, health care and housing, is given and of good quality. Social services are thus functionally integrated in economic life and ensure sustainability of economic growth and wellbeing. This is the general tenet of communitarian economics (Etzioni 1988).

The theory of communitarian economics and the role of Commons is only in its infancy, integrating various social sciences and giving communities a greater role in ensuring wellbeing and getting people involved in communities. In what follows some examples of solidarious communities, where social service provision of high quality is the core, in Austria and abroad will be presented; they may be taken by some as experiments of alternative lifestyles, by others as a search process for a more sustainable socio-economic development. Accordingly, they bear characteristics of sustainable social and economic organisational forms which try to strike a balance between individual rights and obligations on the one hand and social rights as well as ecological protection on the other. (Elsen 2007)

7. Good practice examples: a selection

The national and international examples of integrated social services focus on quality of service provision, increased efficiency and affordability. They take the scarcity of resources into account when planning and organising the provision of various social services, while at the same time wanting to promote social cohesion in the community. The examples are not exhaustive but are meant to give local decision makers and service providers ideas on how to go about implementing reforms in social service provision.

7.1. *National best-practise examples*

Austria is a country with a comparatively limited degree of urbanisation. This means that local authorities have so far been fairly successful in ensuring the quality of life in rural areas and also the more peripheral regions. But it is becoming increasingly difficult to fund social services not least

because of low fertility rates and rapidly ageing rural populations. Accordingly, a lot of effort is put into the provision of child care services, realising that this is key for families with children to stay. As a consequence, more and more communities co-operate in the provision of child care. One example is GEKIP in Burgenland⁸, a cooperation of four local authorities (Draßburg, Baumgarten, Schattendorf and Loipersbach) in the provision of a crèche and nursery with flexible opening hours, high quality pedagogy and care. No single community would have been able to afford this high quality service on its own, but in combination it is affordable for the parents as well as the communities. The cooperation is subsidised by the state government of Burgenland as the state wants to provide an incentive for communities to co-operate in social service provision.

In that vein the city of Grieskirchen in Upper Austria opens up child care services for children in the adjacent smaller communities (Tollet and St.Georgen) in exchange for proportional co-funding. The participation is promoted by the implementation of a bus service which picks the children up from their homes and brings them back home. This allows children of the smaller communities to enjoy full-day care rather than part-time in the rural community.⁹ In addition, the larger number of children allows a focus on cross-cultural competences and the encouragement and development of intercultural and foreign language skills.

In the mountainous peripheral region of Osttirol, a non-profit social service association which includes 26 communities in their membership offers full-day, flexible childcare throughout the year for the newborn child to the 12 year old. It caters for the specific needs of parents, be it hourly care, full-day or part-time care. The children can be picked up from schools, other less comprehensive child care service providers (public nurseries tend to offer morning care without lunch) or from their homes. This comprehensive childcare service is an important facilitator for families who want to combine work and family life¹⁰.

Another example is the cooperation of seven local authorities with a family network (Mühlthal) in Upper Austria, which focuses on after school care for children¹¹. The primary school adapted some rooms for this purpose such that not only school meals but also tutoring, sports and other activities could be provided. This service did not only promote employment in the area but was essential help for single parents, while at the same time helping school children and raising their options for social interaction. This cooperation is in existence since 2007, to the greatest satisfaction of the communities and the people involved.

In another co-operation of local public authorities the focus is on the reduction of administrative costs, namely in the region of Hansberg in Upper Austria. In this case the University of Innsbruck was brought in to analyse the various cost elements of local community administration; after the establishment of the various administrative functions and the costs involved, options for cooperation were worked out in collaboration with the administrative staff affected. The outcome of this process

⁸ For more see <http://www.burgenland.at/buergerservice/kinderbetreuung>

⁹ For more see http://www.verwaltungskooperation.at/index.php?title=Kindergartenkooperation_Grieskirchen

¹⁰ For more see <http://www.ok-zentrum.at/>

¹¹ For more see http://www.verwaltungskooperation.at/index.php?title=Hortkooperation_Altenfelden

was common payroll accounting, central purchasing, cooperation in the use of equipment, and a central electronic data processing system and a common backoffice. Another important outcome of this cooperation was an increased sense of identification of administrative staff with the larger region, a better understanding of their functions and their contribution to an increase in efficiency, flexibility and quality of community service, as well as a reduction of administrative costs for all communities involved.¹²

Another good-practice example of cooperation is in the area of integrated care for the elderly. It has been in place in the municipality of Ludesch for 17 years and continues to expand into more regions¹³. It is a cooperation of various service providers including a social service centre, mobile care services, meals on wheels, health and care institutions and case management. Together with the person in need of care and the family members case managers work out a care concept. In this team a common understanding of the needs of the family members and the person cared for is established, the possible combinations of various mobile and inpatient services are worked out. The short-term inpatient centre (IAP) acts as an organisational platform. This institutionalised bridge guarantees individualised help and assistance when and where needed. As a result of the case management and cooperation in services, costs could be reduced, in particular also long-term inpatient care, while at the same time raising the level of satisfaction of the persons involved. The positive outcomes meant that more and more communities entered into this services cooperation scheme. Currently nine communities are included in that undertaking.

Another co-operation relates to the provision of information on the regional supply of care services in Styria¹⁴, in particular the district of Deutschlandsberg. The government requests the care service providers to provide regular information on their resources (employees, beds, persons cared for...) and the extent of utilisation of the various services via internet, e-mail or the central monitor. The provision of information and data is nothing new, but the instruments for collecting the information are new. The platform is organised in such a way that every administrative act in the care service provision (applications, departures, type of service...) is integrated in the central monitor; in this sense it is an interactive administrative data base, for use of the service providers as well as public administration, rendering the process of administration more efficient. This data base does not only provide the state government with insights in the supply structures of care services and the demand for the various services but also people in search of care. They can access the website and, with one mouse-click, find what types of services are available in the vicinity, how much they cost, what are the resources and skills of the employees of the providers and more. This investment in the integration of administrative data of suppliers of health care has resulted in significant improvement of service provision and matching of supply and demand, thereby reducing public and private search costs and duplications.

¹² For more see http://www.verwaltungskooperation.at/index.php?title=Gemeindekooperation_HansbergLand

¹³ For more see http://www.gemnova.net/613/uploads/sozialzentrum_ludesch.pdf

¹⁴ For more see <http://www.verwaltungskooperation.at/index.php?title=Pflegepilot.AT>

In Tyrol five local authorities embarked on a different type of cooperation in the field of care service provision.¹⁵ They founded a public utility company, the non-profit company named 'Sozialzentrum Münster'. It built a nursing home with 52 beds, in cooperation with an experienced human care management company. Evaluations indicate that the professional management of the centre ensures good quality service at affordable prices. In addition the working conditions of the employees are good such that ample supply of health care workers can be found in the local labour market.

The cooperation and integration of various social services is not only meaningful in rural but also in urban areas. An example is sALTo in Vienna¹⁶, a cooperation between city development groups and health and social service providers. Various local neighbourhood centres, migrant associations, city district managers, social workers and political decision makers worked out measures together with the inhabitants of the respective areas, to greater awareness of the role of a healthy lifestyle for one's wellbeing; they drew attention to all sorts of facilities in the quarter which could contribute to remain healthy, also when getting older.

7.2. International best-practise examples

In Germany, the integration of various social services has become an important feature of the revitalisation of cities and certain areas in cities (Quartiersmanagement). Two examples in that context are Haidach¹⁷ and AMOK¹⁸. The first example refers to the integration of young 'Aussiedler', descendants of former German émigrés to the Soviet Union, who 'returned' to Germany and had significant difficulties in adjusting to the new environment. The region was referred to as 'Russenghetto' with an above average incidence of violence, drug-use and vandalism in the neighbourhood. The introduction of street workers and social workers in schools, in combination with occupational consulting, provision of education and training to facilitate the transition from school to work and of social integration measures into the community resolved some of the problems. The share of youth at risk in Haidach, a district of the city of Pforzheim in Baden-Württemberg, has declined below the city average after the implementation of a coordinated set of social policy measures.

The second example refers to street work, reaching out to 10-14 year olds in central Munich, the district of Haidhausen. The kids are addressed in parks and on streets, offered help on an individual basis or in groups. Orientation and help is offered such that the way back into the mainstream society can be managed. This entails cooperation with families, schools, youth consulting services and welfare services.

A totally different approach has been chosen by Zschadraß¹⁹ in Saxony. In 1999, this community has decided that it wants to satisfy all its energy needs via renewable energy sources by 2050. Gains from

¹⁵ For more see http://www.verwaltungskooperation.at/index.php?title=Sozialzentrum_M%C3%BCnster

¹⁶ For more see <http://www.saltowien.at/>

¹⁷ For more see <http://www.sozialestadt.de/praxisdatenbank/suche/ausgabe.php?id=356&>

¹⁸ For more see <http://www.sozialestadt.de/praxisdatenbank/suche/ausgabe.php?id=126&>

¹⁹ For more see <http://greennewdeal.boellblog.org/2010/energiespargemeinde-zschadras/>

energy production are invested in social services like free school meals, care facilities etc. This community shows the way into a new age where ecological thinking is combined with social responsibility. The example shows that such a policy re-orientation works well for the community and the local economy.

8. Recommendations and conclusions

Research as well as national and international examples indicate that major cost savings in the provision of social services are possible while at the same time improving the quality of service provision and working conditions of the service providers if integrated into a larger regional socio-economic development strategy. The development of a well-functioning and integrated social services network can act as a stabiliser of local economic growth and well being.

The analysis of Austrian pilot regions has shown that individuals and groups of individuals can achieve a lot in community building; the examples showed as well, however, that a guarantee for sustainability of networks of social services is only given in case of the establishment of financial incentive systems and support in the institutionalisation of social infrastructure by the public sector. The ways to provide support may differ; they may take the form of guidelines for subsidies as in the case of Burgenland, they may include public authorities in a larger network or they may be set-up with the help of the state, requesting various institutions to cooperate if they want to procure public funds. Some social services networks also involve the EU by applying for subsidies and support by one or the other cohesion fund. Such policy initiatives contribute to social cohesion and the sustainability of economic growth and are therefore at the very heart of the Lisbon process and the Europe 2020 strategy. The most relevant policy areas and EU funding institutions when wanting to promote local and regional socio-economic development are the rural development funds (LEADER), the European Regional Fund (ERDF) and the European Social Fund (ESF). LEADER²⁰ is one of the four initiatives financed by the EU structural funds, geared towards raising the potential of rural regions. It contributes to the funding of reforms in rural and agricultural areas, thereby promoting quality of life and the economic vitality of rural regions. The ERDF aims to promote cohesion, i.e. reduce regional disparities in income and economic development. It has various objectives, one being the promotion of cross-border, transnational and interregional cooperation, the other focusing on the economic and social regeneration of cities and urban neighbourhoods²¹. The ESF has been more widely applied as it has a wide spectrum of policy initiatives, the most important one being the implementation of the European Employment Strategy²².

In the case of Austria, state guidelines for subsidies where a particularly successful strategy; by offering subsidies to the communities for the construction of child care facilities if local communities cooperate and share these service, a larger number of children could be cared for, allowing diversification of care and a greater focus on the identification of needs and special talents which can

²⁰ For more see http://ec.europa.eu/agriculture/rur/leaderplus/index_en.htm, and http://ec.europa.eu/agriculture/rurdev/index_en.htm

²¹ For more see http://ec.europa.eu/regional_policy/thefunds/regional/index_en.cfm

²² For more see: <http://ec.europa.eu/esf/home.jsp>

be attended to by specialised care workers and child pedagogues. Such co-operations had, apart from cost savings, many positive side-effects; one of the more important ones was the break on the exodus of inhabitants and the stabilisation of the local economy, not least because of an increased local labour supply and a reduction of skill shortages. The child care services per se were also creating employment for nursery teachers as well as helpers, cleaners, cooks, drivers, administrative staff. A virtuous cycle can be set in motion with such types of services. The experience of Burgenland suggests that public subsidies and incentive systems should be analysed as to their impact on institutional co-operations, the achievement of economies of scale and efficiency increases.

In order to promote the co-operation of local authorities, NGOs and other providers in social service provision an investment fund could be established, in cooperation with European development strategies and funds, which promotes the integration of established social services in larger networks and the inclusion of new, innovative and experimental concepts and projects. A documentation of such activities and their outcomes in terms of wellbeing, cost-effectiveness and economic growth would be an important supplement to these policy measures and incentive systems.

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