

Regional development by a lead firm in Austria: An analysis of economic, social and political factors

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This research studies the developmental experience of an Austrian region, marked by unprecedented expansion of output and employment mainly driven by one large corporation and its satellite businesses.ⁱ With sales figures tripling and employees more than doubling within just 9 years (2008-2017), the corporationⁱⁱ acted as economic accelerator and created major spill overs pushing the surrounding region out of economic misery. In fact, the area's GRP grew by over 90% between 2000-2016 and the 13 municipalities under investigation show an 18% higher employment rate in 2014 than 2001 while population grew by 9% in the same period (Statistik Austria, 2019a; 2019b, 2019c).ⁱⁱⁱ Additionally, council tax ("*Kommunalsteuer*") inflow has increased by staggering 180% between 2010 and 2017 in just one municipality, and 73% for all municipalities included in the study, equipping them with financial means to improve public provision e.g. by building kindergartens (County-data base).^{iv}

Hence, the region's image is dominated by a strong focus on the vast economic improvement over the last twenty years. Life seems to have enhanced overall tremendously in hand with higher business activity, a conclusion swiftly reached by focusing on the growing figures presented above. However, are living realities accurately defined and depicted by the growth of economic indicators? If this is the case, why has protest been organized in order to articulate dissatisfaction with building projects of political decision makers and the leading manufacturer? Why have citizens' initiatives been formed for citizens' interest to re-enter local councils? Why did political parties lose long-held majorities and corporations built their own nurseries if the region is better off now? Clearly, focusing on economic matters in analysing progress is not enough. Living realities for people in their roles as inhabitants, employees and voters differ, as do opportunities for businesses, varying in size, industry and affiliation with the leading corporation.

The aim of this research project is therefore to analyse the ambiguities behind what is seemingly a success story. Specifically, it attempts to tackle 3 research questions:

1. Which ramifications had/has the regional development of concerned municipalities by monopolistic economic activity of a lead firm on economic, social and political factors *of the regional population* in question?
2. How does this form of development create, distribute and destroy *value* for concerned municipalities and their population?
3. Which conflicts could emerge from this form of development?

Research questions 1 and 2, meant to uncover differences in these actors' development experiences. Which detrimental developments could have been overseen or triggered by the region's focus on economic success was taken into the analysis by posing research question number 3.

Using a theoretical framework drawing on Hirschman's linkages analysis (1958) and Sen's capabilities approach (1999), enabled to widen up the angle for understanding, analysing and evaluating the region's development beyond macroeconomic aggregates such as output growth etc. The empirical work is based on 18 semi-structured interviews of local residents, politicians, and employees working for the LC and satellite businesses as well as for employers outside the LC's sphere.

Main results can be summarized by the lead corporation figuring as trigger of unprecedented output, employment and fiscal revenue growth stemming from both, the LC and businesses directly linked to it. However, as a parallel economy emerges on the basis of wage differentials between employees working for the LC and related businesses and employees working for other employers, value destruction occurs on various levels. Similarly, substantial price increases for land and housing aggravate these dynamics. Relatedly, as the LC positioned itself as primordial tax source to two local councils and as provider of a nursery and attractive educational programmes for its employees only, traditional, democratically legitimized structures for taxing businesses or providing social services are side-lined. The resulting economic and political ramifications are characterized by structural destruction of value. Furthermore, these transformations translate into the lives of people, shaping their capabilities in different directions, but mainly in a way that aggravates social division and adds another layer of discrimination to pre-existing ones. Lastly, the analysis finds conflict potential in realms which were impacted by structural wealth destruction and capability deprivations.

ⁱ Due to privacy reasons and the requirements of data protection regulations, names of people, towns, municipalities, regions, the county and companies are anonymized, exchanged with pseudonyms or deleted. Thus, all names are fictional and any similarity with persons, towns, municipalities, regions, counties and companies are purely accidental. This is necessary to protect interview partners who helped this research project immensely by assisting with their experience and knowledge which could not be obtained any other way. Interviews were held in German, hence, all presented quotes were translated by the author.

ⁱⁱ Henceforth also abbreviated by 'LC' for leading corporation.

ⁱⁱⁱ The 13 municipalities are also labelled 'focus municipalities'.

^{iv} As abovementioned, for reasons of data protection, the county and with it the county-data base cannot be specified.