

# Spatial Justice and the Welfare State: SGI Provision in Peripheral Austria and Sweden

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## Abstract

The aftermath of the 2009 financial crisis limits the possibilities for governments to stimulate the provision of services and infrastructures in peripheral areas. Also countries that were relatively unaffected by the 2009 economic crisis, e.g. Austria and Sweden, face challenges related to the provision of Services of General Interest (SGI) in such areas. Population aging and outmigration limit the demand and increase the production costs for providing welfare services in these areas.

The aim of this paper is to discuss what adaptation strategies are used to deal with the demographic challenges in peripheral areas in Austria and Sweden to maintain reasonable levels of SGI provision. The results show that both countries face significant problems in keeping the present levels of provision of SGI in peripheral areas. While Sweden has dropped its own ambitions in creating spatial justice, and instead turning to the EU Structural Funds, Austria seems to still maintain a comprehensive provision of welfare services under difficult preconditions.

JEL-codes: R13, Z13, I38, R58

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## 1 INTRODUCTION

Not only the 2009 financial crisis, austerity and a neoliberal turn in politics have caused challenges to regional provision of services in the EU (Andreotti & Mingione 2014:10-12; Hadjimichalis 2011:270-71). Also the demographic structure and mobility poses a major impact on the future of rural areas (Camarero et al. 2014:13-14). Gaspar et al. (2005:115-118) argue that peripheral areas will be significantly hit by these demographic processes, and consequently face a population decline. Since the 1990's the general trend is that especially young people leave rural areas to live in cities and its surroundings (Vandermotten et al. 2005:28-29). The reallocation of population from rural to urban areas is followed by a retreat of services and infrastructures in rural areas (Humer & Palma 2013:101-102), leading to a loss of perceived attractiveness in peripheries (Eðvarðsson et al 2007:13-15).

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The 2009 financial crisis and following budget restraints limit the possibilities for governments to stimulate the provision of services and infrastructures in sparsely populated, rural and peripheral areas. With an ongoing decline of service infrastructure (European Commission 2014:147-148), economic, social and territorial cohesion attempts as promoted by the European Union seem to be endangered (Rauhut *et al.* 2013:56). The problems in provision of Services of General Interest (SGI) are however not exclusively reserved for Mediterranean EU members under financial pressure. Also countries that were, to large extent, unaffected by the 2009 economic crisis, e.g. Austria and Sweden, face challenges related to the provision of SGI in rural and peripheral areas.

Austerity has hit the local welfare provision hard in many parts of the European Union. The regional and even local differences in e.g. unemployment indicate that the crisis has not hit territory in an even way, but territory matters (Andreotti & Mingione 2014:10-12). The peripheral areas in Austria and Sweden suffer from the centre-periphery dilemma described by Krugman (1996:88-92). Increased economic integration of a market will move production away from periphery to centre. Production in peripheral areas is far away from the markets, which results in high transport costs, and in difficulties to obtain economies of scale in the production in the periphery. How peripheries in Austria and Sweden are treating their peripheries facing these problems will be analysed in this paper.

This paper aims to discuss what adaption strategies are used to deal with the demographic challenges in rural areas in Austria and Sweden to maintain a reasonable level of SGI provision. It proposes to answer the following questions: (1) How is spatial justice under recent development still kept up as a value in the two welfare states Austria and Sweden? (2) Which adaption strategies and policies are followed to tackle challenges caused by economic and demographic developments in Austria and Sweden?

## 2 SETTING THE SCENE

Austria and Sweden are placed in different types in different typologies on welfare systems (Esping-Andersen 1990; Hicks & Kenworthy 2003; Aiginger & Guger 2006). Despite the fact that Austria and Sweden have two different welfare systems, the practical challenges in welfare provision display

similarities in peripheral areas. Both countries contain peripheral areas experiencing sparsely population, low accessibility and huge distances, depopulation and a deindustrialisation process.

The use of the term *welfare state* follows the conceptualisation of Barr (1998:7) as the activities by a state in the areas of cash-benefits, health care, education and on food, housing and other welfare services. Basic infrastructure, including transport, ICT, telecommunications and electricity, is considered to be vital for regional development both in scientific literature and in policy documents (Littke et al 2013:103). Missing markets, imperfect competition, social priorities or externalities are just reasons in economic theory for government intervention to adjust market failures (Begg et al 1987:322). If the market cannot provide basic infrastructure, which is a social overhead capital, in peripheral regions, the government can do so to adjust market failure.

*Services of General Interest* (SGI) contain Services of General Economic Interest (SGEI), and Social Services of General Interest (SSGI). Unlike SGI and SGEI however, SSGI currently supports no legally binding definition – there is no treaty basis for SSGI and the MS cannot agree on its boundaries (Bauby 2013:50-51). In broad terms, SSGI are seen as measures addressing risk and vulnerabilities in life (European Commission 2007:7-8), which facilitate social inclusion and the safeguarding of fundamental rights (European Commission 2010:16-17). SGEI constitutes e.g. infrastructure, transport, roads and network services (European Commission 2010:20-21). SGI is a term defined in politics and does not align with academic definitions of e.g. services and infrastructure (Bjørnsen et al 2015:50-51).

Although mainly focused on urban development, *spatial justice* seeks at explaining the interactions between space and society. The concept was invented in the 1960s by radical geographers. In order to fight social injustices we need tie social justice to territory and to reflect on planning policies that aims at reducing them. In this process, spatial justice can offer guidance (Pirie 1983, Marcuse 2009, Soya 2010). In this paper spatial justice is seen as social justice in a territorial perspective. All citizens should have the same conditions of living regardless where they live within the European Union. This broad definition of spatial justice goes beyond the dominating focus on cities and urban areas, and it is overlapping with the EU cohesion policy.

### 3 THEORETICAL CONSIDERATIONS

#### 3.1. Spatial Justice

A common definition of spatial justice is an “intentional and focused emphasis on the spatial or geographical aspects of justice and injustice” (Soja 2009:2). The equal and fair distribution of resources with a social value and the opportunities to use them within space is in focus. Spatial Justice can be conceptualised by the EU Cohesion Policy. The idea of equal quality of lives, despite different geographies, has left its mark in the EU Cohesion Policy (European Commission 2014:200). The countries of the European Union not only have policies that try to tackle spatial disparities on the national level; also the Union itself is promoting cohesion. ”The term cohesion stands for a wide range of concepts including social justice and solidarity and co-operation between the countries and regions in Europe“ (Wegener 2008:24). The origins of the Cohesion Policy can be traced back to the Treaty of Rome (in 1957), but the Cohesion Policy only became an official target in 1989 and came into force with the Treaty of Maastricht and the establishment of a new instrument, the Cohesion fund (European Commission 2014:179).

The cohesion policy goals and a free market economy are incompatible. The capitalist production system strives for profitability and this will inevitably lead to an uneven economic development in spatial terms (Kunzmann 2014:8). Although many welfare services are provided by the public sector, the public sector has to follow the EU Market Directive and the Services Directive (Milstein 2015:43-44). These directives do not differentiate for spatial heterogeneity in SGI provision.

A geographical allocation of resources does not necessarily have to be ‘just’ and ‘efficient’ at the same time. The same goes with economic ‘justice’ and ‘efficiency’. In fact, they may not be overlapping at all. This leads to a normative discussion on what is a ‘just’ and ‘efficient’ development in economic, social and territorial terms (Storper 2011:3-4). Notwithstanding this, the Cohesion Policy aims to adjust and mitigate the spatial disparities created by the market economy and stimulate some sort of spatial justice.

### 3.2 Centre-periphery

'Periphery' states that something is not central or in the core, but 'situated on the fringe' (Kühne 2013:268). To mark the difference between peripheral areas and central areas can be done in several ways: distance, concentration (of activities), economy, political power as well as socio-cultural items as for example education (Heintel 1998:18). Investment is not evenly or randomly distributed, but capital is located in destinations that show a dynamic development or affordable cost structures (Wissen & Naumann 2008:393). Hence, as capital is redrawn from stagnant areas showing low or no profitability, e.g. areas experiencing a de-industrialisation process, and instead clusters in dynamic and expanding areas, the gap between economically stagnant and expanding areas will increase.

Peripheral areas are also disadvantaged in the distance to the market. Although production costs may be significantly lower in a peripheral area, the transport costs usually price the product out of the market. The demand for products is much higher in central areas with a higher population density. Low transport costs and economies of scale make it cheaper to produce products close to the market. Hence the profitability of the production will be higher (Krugman 1991:497-98; 1996:88-92).

This reasoning applies to the production of goods, but can also be applied to a service production. Welfare services (e.g. basic schools, local health centres, drug stores, kindergartens and elderly care) depend on a short distance between the service provider and the consumer. In sparsely populated areas it will not be possible to obtain economies of scale when providing these services as population is scattered over large areas. To reach all citizens with a specific welfare service, the production cost for each unit of provided service will hence be much higher than in densely populated areas where the accessibility to the services is high.

Polarization theorists see regional disparities as manifested over time with the need of political intervention to reduce them (Novy 2003:17-19). The political intervention can either manifest itself as national policies to mitigate regional divergence and promote regional development, or EU policies stimulating convergence and cohesion. The EU Competition Directive and Directive on State Subsidies thus limits the manoeuvring space for national policies (Slot 2013:261).

### 3.3. Drivers of SGI provision

Theoretically, the construction of SGI provision and fulfilling of related standards is designed by two sides: organiser/provider side and demand/user side. First, the SGI organisation comprises the division of (public) responsibility as well as the modes of production, finance and delivery of SGI. Within SGI organisation, public, private and civic providers are in charge for SGI provision –in co-operative arrangements or exclusively. SGI demand on the other hand is formulated by users on a collective and individual level and co-designs SGI provision. Users can be citizens/households as well as private businesses or institutions – accordingly they may formulate different needs and follow different intentions (Humer et al 2013:88-90). The issue on what can be considered as a minimum provision of SGI is subject to the ideological preferences and moral values of the decisive actors/designers (Littke & Rauhut 2013:66). In a comprehensive view, external systems of demography and territory are determining the context, while the systems of policy, society and economy are actively driving the SGI provision. All five surrounding systems entail spatial-temporal characteristics that give the design of SGI provision ‘specific conditions’ and impact on the standards of availability, affordability, accessibility, quality and variety of SGI (Humer 2014:76-80).

## 4. STRUCTURALLY DISADVANTAGED AREAS IN AUSTRIA AND SWEDEN

The NUTS 3 region *Südburgenland* in the Southeast of Austria and the NUTS 3 region *Västernorrland* in the North of Sweden are case studies where the demographic change and spatial justice in the welfare states is analysed. The two regions and their proximity to the capital city or region are shown in map 1 below. Both are characterized by demographic and economic disadvantages compared to the rest of the country (tables 1 and 2).

Table 1: Demographic indicators for the case study regions

|  | Västernorrland | Sweden    | Südburgenland | Austria   |
|--|----------------|-----------|---------------|-----------|
| Size (km <sup>2</sup> )                                    | 21,678         | 450,295   | 1,470.3       | 83,879    |
| Total Population 2014 (and % of total national population) | 241,061 (2.5%) | 9,747,355 | 97,343 (1.1%) | 8,507,786 |
| Population density (inh/km <sup>2</sup> )                  | 11.3           | 23.9      | 66.2          | 101.4     |
| Population development (2001-2011)                         | -1.2%          | +8.2%     | -0.73%        | +4.59%    |
| % of Population 65+ (2014)                                 | 23.6%          | 19.6%     | 20.9%         | 18.3%     |
| % of Population under 15 (2014)                            | 17.3%          | 18.3%     | 12.6%         | 14.3%     |
| Sex Ratio 20-29 (2014)                                     | 88.5           | 95.2      | 92.2          | 104.7     |
| % of immigrant population (by citizenship) 2013            | 5.1%           | 7.5%      | 6.2%          | 13,5 %    |

Source: National statistical offices

Table 2: Economic structure in the case study regions

|  | Västernorrland  | Sweden                      | Südburgenland                       | Austria           |
|--|---|-----------------------------|-------------------------------------|-------------------|
| Economic Development since 1990          | deindustrialization                                       | tertiarisation              | deindustrialization                 | tertiarisation    |
| Main economic income                     | Services, manufacturing, energy, forestry and agriculture | Public and private services | Agriculture, tourism, energy sector | Services, tourism |
| GDP per capita (2011) in €               | 38,600  | 40,800                      | 21,800                              | 35,700            |
| Unemployment rate (2013)                 | 7.8%  | 6.3%                        | 7,8%                                | 5.4%              |
| Youth unemployment rate (2013)           | 13.7%   | 9.1%                        | 9,8%                                | 10.0%             |
| Accessibility by car from capital city   | No motorway   | ..                          | No motorway                         | ..                |
| Accessibility by train from capital city | No high speed trains                                      | ..                          | No high speed trains                | ..                |
| Accessibility by air from capital        | Few flights/day   | ..                          | None                                | ..                |

Source: National statistical offices, Eurostat, National Public Employment Services

Map 1 The case study areas



#### 4.1. Südburgenland

*Südburgenland* is part of Austria's by size and population smallest federal state Burgenland. In 1918 after the collapse of the Austrian-Hungarian Empire, Burgenland was granted the Austrian state (Gruber 2011:33). As all major centres of the region were separated by a border to Hungary, the former structure of the Burgenland was disrupted and had to be reconstructed: transport infrastructures and an economic structure had to be rebuilt. After a short and late industrialization phase, the county was hit hard by the economic crisis in the 1970s followed by deindustrialization (ABL 2006:13). *Südburgenland* lacks accessibility and quality of location, which is reflected in a lower GDP per capita and a lower employment density (Machold, 2010:7).

*Südburgenland* is described as a predominantly rural area close to a city (Dijkstra and Poelmann, 2008). Within the Austrian context *Südburgenland* is a peripheral rural area (Dax et al. 2009:27). The population peaked in 1900 with 127,832 inhabitants, in 1971 it was 102,644. Since then the population has been declining constantly (Statistik Austria). A continuing population decline in *Südburgenland* is projected, as is a continuing population ageing (Statistik Austria).

With the EU-accession and European funding possibilities, economic stimulation was initiated to create a new economic basis: The tourism industry and renewable energy technology are economic foci of the region (ABL 2012). Also the agricultural sector is still important. The re-opening of the border to Hungary was a step towards economic stability (Brunner et al. 2006:93). Still, Burgenland is a structurally disadvantaged region within Austria with low wages, a high share of commuters and outmigration of young adults (Strahl et al 2011:644).

#### 4.2. Västernorrland

*Västernorrland* is considered rural and remote region (Dijkstra and Poelman, 2008). At the height of the industrialisation era *Västernorrland* reached its population peak in the 1950s, boasting a population just above 280,000 inhabitants; today it is ca 240,000 inhabitants (Statistics Sweden, 2015). The present population decline is based on young adults leaving the regions, and this out-migration effectively accelerates the ageing process of an already old population (Rauhut et al 2008:126-27).



In the early 1990s, Sweden went through an economic crisis which hit rural and peripheral regions particularly hard. *Västernorrland* was no exception. Almost half of the jobs in the traditional industrial sector in *Västernorrland* disappeared as have many of the jobs in agriculture and forestry; the number of jobs in the service sector has however remained relatively stable over the same period (Rauhut & Kahila, 2008). In 2014 the total unemployment was still higher in *Västernorrland* compared to the national average (The Swedish Public Employment Service, 2015).

*Västernorrland* suffers from an obsolete economic branch structure with slower changes in the branch structure than the national average. Both the structural and branch effects reinforce each other leading to slower economic growth than in the national economy. This is related to an on-going de-industrialisation process (Eðvarðsson et al 2007:50). The type of labour required in the metropolitan areas is knowledge-based and ‘post-Fordist’, while rural and peripheral areas retained a more traditional and ‘Fordist’-based production structure (Persson, 2004). *Västernorrland* has left the industrial era, but has not yet managed to enter the post-industrial era (Rauhut & Littke 2015:5).

The conventional driving forces for out-migration of young adults, and especially young women, are in play in *Västernorrland*: studies, income differences and labour markets aspects (Brandén 2014:967-69; Gärtner 2014:12-13). Research find evidence that bad infrastructure and general service, in terms of availability and accessibility, are factors causing out-migration from rural and peripheral areas and repel persons from returning (Sörensson 2012:758; Rauhut & Littke 2015:5).

## 5. STRATEGIES AND PLANS

### 5.1 Austria and Südburgenland

Spatial strategies in Austria are developed on four different levels: national, federal, regional and local level (municipalities); Austrian spatial planning by law is competence of the counties (Bundesländer), whereas the local level (municipalities) has strong power (e.g. building and zoning plans); On a national level mainly sector policies are embedded (e.g. transport infrastructure), also concerning strategic ideas the national and regional level have importance for developing concepts, but with no legal force.

The amount of municipalities in Austria is relatively big (in Austria 2,100; in Burgenland 171). On the local level the main provision of services takes place. A municipality with smaller population

gets a lower amount of the fiscal equalization, thus a shrinking population makes it more difficult to provide services and infrastructure – for the reason of missing a critical mass. Therefore some Austrian municipalities, especially in structural disadvantaged areas are unable to provide sufficient infrastructures and services as e.g. schools and kindergartens (Gruber et al. 2013:50).

The Austrian Conference on Spatial Planning (ÖROK) produces a national concept of spatial development “securing the local and regional services and infrastructures”. Provision of SGI is not only challenged by demographic development but also by privatization and liberalization and the budget constraints of the public households; the need to find strategies and instruments for budget-friendly and user-oriented adaption of services and infrastructures as well as mobility are identified in the concept (ÖROK 2011a:50)

Although the national level sets this goal, the operational level is regional or federal for designing policies and strategies to fulfil this goal. Since 2011 the ÖROK is mounting strategic partnerships for cooperation and knowledge exchange between different levels and administrations (ÖROK 2011b). Still the implementation lies in the responsibility of administrative bodies such as municipalities and federal states.

Every federal state in Austria legislate its own law on spatial planning. Quite similar as in the other eight federal states, the law of the Burgenland mentions the establishment of equal valued living conditions as one of the main goals (Burgenländisches Raumplanungsgesetz §1(2)2). The population should be supplied with basic requirements and needs, such as living space, sufficient possibilities for earning a living or education. Those facilities amongst others should be present in adequate coverage and quality (ibid §1(2)2). Principles of spatial planning in Burgenland are thus to establish equal living conditions and to provide adequate services to fulfil basic requirements. In the Federal Development Plan (LEP) the demographic development in the Burgenland is seen as one of the main challenges of spatial development (ABL 2012:14). Strategies to overcome the challenge of demographic change (hence relating to infrastructure and service provision) are, according to the LEP, mobility and accessibility and concentration in terms of settlement development on areas with good accessibility and infrastructure (ibid 45).

Regional development is mainly responsible for overcoming structural deficits. In the 1960s and early 1970s, the prosperous economy allowed Austria to compensate regional disparities by building infrastructures and trying to settle economy in structural disadvantaged areas. This process was slowed down due to the economic recession in the 1970s; especially costly investments were put to a halt (Schindegger 1999:71). Still today regional development plays a major role when it comes to the provision of services and infrastructures. Since the 1970s the main focus has, however, been on economic growth and competition. The Regionalmanagement Burgenland (RMB) supports municipalities with ideas and financing. Today broadband infrastructure and mobility projects as well as the initiating and support of regional cooperation are the main agenda of the RMB.

Municipalities with limited budgets have to be innovative to be able to provide all services necessary (e.g. a cooperation of 2-3 municipalities offer shared services). The municipalities play a key role in spatial development in Austria, not only in the implementation: The land use plan and the building plan are developed from the side of the municipality. Spatial development is thus mainly carried out on a local level, although strategic thinking is mainly happening on higher levels.

## 5.2 Sweden and Västernorrland

Contrary to Austria, there is no federal level in Sweden. The national level has also undergone significant changes since Sweden became an EU-member in 1995. It meant that Sweden could enjoy support from the structural funds. The regions themselves formulate their problems and challenges and how to overcome them. An increased political influence for the regions is combined with the economic resources of the EU, which, it is assumed, will increase the possibilities to address the problems in an appropriate way (Tillväxtanalys 2013:25).

As Sweden became an EU member in 1995 some of the traditional tools and support strategies used were thus simply not compatible with the EU competition rules (Cf. Slot 2013; Milstein 2015). The introduction of the regional growth programmes in 1998 demarks the shift in regional policy in Sweden: from traditional regional policy to a growth policy with less bias on competition (Foss et al 2004:119-120).

A new cross-sectional policy was introduced in 2001, in which regional policy should be included in other policy areas (ITPS 2005:10). Cooperation and coordination between government authorities and existing policies were supposed to be more efficient in solving the problems regional policies traditionally aimed at to solve (Näringsdepartementet 2000:271). Traditional sector policy on regional policy was considered unable to solve the problems it was supposed to solve (Berglund & Holmberg 2000:325). The new cornerstones in the 'new regional policy' are regional efforts on entrepreneurship, decentralisation of education to stimulate higher (tertiary) education, the introduction of regional growth programmes to stimulate regional economic growth, coordination of policy measures and – to a small extent – temporary subsidies and allowances to stimulate social services of general interest (Näringsdepartementet 2000:273-315).

Already in 2004 the regional growth plans (Regionala tillväxtprogram – RTP) were replaced by mandatory regional development programmes (Regionala utvecklingsprogram - RUP). These have now been renamed as regional development strategies (Regionala utvecklingsstrategier – RUS). The regional growth plans however still exist, but they are voluntary. The RUP is assumed to be a tool for coordination of kinds of activities for stimulating economic growth. The regional councils, the county administrative board or regional cooperative bodies are obliged to develop frequent development plans. In 2004 physical planning of strategic interest was introduced in the RUP and in 2007 coordination with the physical planning at the local level was added to the RUP. For the period 2007-2013 regional competitiveness, entrepreneurship and employment are the guiding principles for the regional economic growth (Tillväxtanalys 2013:26).

Private-public partnerships at the regional level are vital for the implementation of the RUS (Tillväxtanalys 2013:25). In reality these partnerships, a central body in this 'new regional policy', have seldom become more than informal talks between actors (private and public) at a strategic level, and they have had no role as powerful tools at the tactical implementation level (Lindström 2005:7). In *Västernorrland*, the regional partnership contains the County Administrative Board (Länsstyrelsen), the eight municipalities, the County Council (Landstinget), Mid-Sweden University, the Public Employment Service (Arbetsförmedlingen), the Swedish Agency for Economic and Regional Growth (Tillväxtverket), the Chamber of Commerce (Handelskammaren), Almi (a government agency for

stimulating entrepreneurship), the Swedish Federation of Business Owners (Företagarna) & the trade unions (Länsstyrelsen i Västernorrland 2011: 19). The aim is to promote regional economic growth by coordinating efforts by public, private and civic actors (Länsstyrelsen i Västernorrland 2011:20).

By law the municipalities have to have a Local Master Plan (Översiktsplan – ÖP). The ÖP are focused on physical planning and land use and the municipalities in *Västernorrland* are no exceptions in this case (see *Översiktsplan* for the six municipalities). “Physical planning plays a central role in securing prerequisites for business by creating stable, legal foundations for the land use that trade and industry demands. Planning also has an important function as regards creating prerequisites for attractive living environments. The quality of housing is an important factor when people choose where they want to live. Attractive living environments are therefore also important from the point of view of trade and industry, not least as regards possibilities to recruit and keep personnel“ (Tillväxtanalys 2013:10).

To sum up: the ‘new regional policy’ focuses on regional economic growth. The Local Master Plan (ÖP) focuses on physical planning. ‘Soft’ aspects as demographic trends and provision of daily services as well as social services of general interest are given a marginal attention if any at all.

## 6. DISCUSSION

Although the political rhetoric in advanced welfare countries such as Austria and Sweden favours similar living conditions throughout their countries, significant spatial differences exist already today (Lindqvist 2010:11-16; Hiess, 2012:21-42). It can, hence, be assumed that demographic changes will lead to larger polarization in Austria and Sweden in terms of SGI provision as population is expected to further grow in urban and prosperous areas in both countries and with a simultaneous decline in rural and economically disadvantaged areas (Hanika 2010:5; Korpi 2003:7-9). Additionally, empirical evidence suggests that the 2009 crisis has led to a concentration on of economic development on metropolitan regions and an intensification of regional disparities (Musil 2013:80-85).

The indicators presented in chapter 4 (Table 1 and 2) have shown clearly that the Västernorrland and Südburgenland show characteristics of a peripheral regions lagging behind. Especially demographic developments in recent years have brought both regions into a difficult situation, additionally to already economic disadvantages: youth emigration and ageing population have shifted demands of services and

infrastructures; populations losses have challenged a cost-effective provision; low population density makes the production of SGI more costly per inhabitant, which will lower the supply and accessibility (Humer 2013, Humer et al 2015). These regions will become less attractive to invest in for private capital (Wissen & Naumann 2008) and the need for state intervention will, theoretically, increase to compensate for the higher costs for these services in the periphery (Novy 2003).

How are the demographic challenges dealt with in Südburgenland and Västernorrland? In Austria different administrative levels play a role in decisions and provision of welfare state services. Analysing strategies and plans from different levels it became clear that securing infrastructures and services does have a priority in Austria. The federal level in Austria has the biggest power when it comes to steering spatial development, which also has influence on how welfare provision is developed. For the Burgenland, the federal level has a high interest to counteract negative developments in the peripheries, which can be also explained by the high share of peripheral and rural regions the federal county consists of. The measures how this goal should be achieved still have changed in the last decades from a broad focus on regional development to a more focused commitment of advancements. Concentration processes (so a fostering of certain services at certain places) as well as emphasizing on cooperation between municipalities and stakeholders should lead to a more budget-friendly solution on service provision. Anyway, if policies were decided on a national level, there might be a different weighting of the importance of peripheral regions compared to urban (and economical prosperous) areas. Although also the national level, as well as the federal level has the goal to keep up a user-friendly adaption to demographic change, the idea that not every region will be able to have the same service provision is slowly developing. So far, solutions for adjustment to demographic challenges are developed mostly on a local level, where citizen-orientation is necessary and claimed. If these measures will be enough to keep up services and infrastructure provision in Austrian peripheries will be seen in the future.

The shift in the regional policy field in Sweden means effectively a paradigm shift away from 'justice' to 'efficiency' (cf. Storper 2011), which has had an impact on welfare provision. The new organisation of regional policy will definitely not manage to level out any uneven economic development, which implies that a regionally uneven economic development of a capitalist production system now appears politically accepted by the EU (cf. Kunzmann 2014). The Government authorities

appear to have neither an interest in contributing the Regional Development Strategies, nor to participate in cooperative projects to stimulate regional growth (Tillväxtverket 2015:5). This is a government retreat, giving up the ambitions of spatial justice. The periphery cannot compete with the centre and will hence fall behind (Krugman 1996).

The regional level is given the main responsibility for the RUP, but this level has a limited competence on regional economics and a strong competence on physical planning (Tillväxtanalys 2013:137-138). This level is characterized by an unstructured multitude of agents and authorities with blurred responsibilities, often with a lack of coherent ownership of the issue and resources (Lindström 2005: 15-18). Furthermore, the spatial perspective is missing; e.g. transport, welfare or the labour market is somehow considered *a-spatial*, but a territorial dimension is needed to promote regional growth (Tillväxtanalys 2013:137-138). Lindström (2005:15) notes that the strategically important partnerships lack the necessary power to pursue their role of implementation. More recently the lack of preconditions at the local level to be the driver to stimulate regional growth has been pointed out (Tillväxtanalys 2011:40-41).

As the periphery is short of capital and investments (Wissen & Naumann 2008), it is disadvantaged in the distance to the market (Krugmann 1991, 1996) and a negative demographic development reduces all forms of investment (Humer et al. 2015), it is quite astonishing that Sweden has delegated the responsibility to stimulate economic growth and providing general conditions of living to local and regional actors in the periphery. 'Spatial justice' has been dropped from the political agenda of the national government (Foss et al 2004:119-120).

The conclusion for Västernorrland is that there are no adaption strategies to deal with the demographic challenges, nor any government ambitions to support rural regions trapped in the downwards vicious circle of negative demographic development.

Table 3 Adaption strategies

|                | <b>Austria, Südburgenland</b>   | <b>Sweden, Västernorrland</b>  |
|----------------|---|--|
| National Level | Need for the development of strategies and instrument to guarantee SGI in shrinking conditions is identified;   | Monitoring the Regional Development Programmes/Strategies  |
| Federal Level  | (Decentral) concentration;<br>Regional development;<br>Stimulation cooperation                                  | n/a  |
| Regional Level | Regional development (mobility)<br>Supporting cooperation   | Regional Development Programmes / Strategies, stimulate partnerships, coordination of activities stimulating regional growth, civic engagement, 'bottom-up' perspective. |
| Local Level    | Cooperation between municipalities;<br>Facilitating supply (public transport, local supply)<br>Civic engagement | Physical planning and land use;<br>cooperation between municipalities;<br>stimulating public-private partnerships.   |

Source: own elaboration

Table 3 shows that especially the on the national level as well in Austria as in Sweden the ideas on territorial cohesion and spatial justice concerning welfare provision are not having a too prominent role. In Austria the need for keeping up services and infrastructures is mentioned in the national strategies, but more prominent embedded on the regional level. At the municipal level however ideas are developed to guarantee a provision of services and infrastructures with shrinking population. The question remains to what extent the local level is the optimal level for making sustainable strategies on population decline and welfare provision, especially when trying to make a normative statement on the welfare state provision of peripheries. With the embedding of spatial justice only on the lower levels, the strategies on keeping up welfare in peripheries are threatened.

That regional development, spatial justice and welfare still play an important role is still given also by the fact that Cohesion Policy still has an important standing inside the EU. The Cohesion Policy aims to adjust and mitigate the spatial disparities created by the market economy and stimulate some sort of spatial justice.<sup>1</sup> Wegener (2008:24) argues that the term cohesion stands for a wide range of concepts including social justice and solidarity and co-operation between the countries and regions in Europe“. Swedish regions profited from structural funds, as well as Austria, especially the Burgenland, that received structural funds as objective 1 area. In the last funding period not the lagging behind

<sup>1</sup> During recent years the Cohesion Policy has moved away from rebalancing inequalities to focus on economic growth, especially in bigger cities (Faludi et al. 2015:265).



regions started to be of interest for EU funding, but also prosperous regions were able to get funded. Still the idea of cohesion is important to keep the idea of spatial justice alive and transfer it to the member states where adaption strategies can actually take place. If it will be possible to make the living conditions similar for individuals and enterprises wherever located in the European Union and promote convergence between the economies of better-off territories and those whose development is lagging behind (EU 2011:4) is though very questionable. On the national level of both countries, Austria and Sweden it seems that spatial justice has been losing importance towards the goals of efficiency it seems.

## 7. CONCLUDING REMARKS

This paper aims to discuss how demographic challenges and the challenges of SGI provision in peripheral areas are dealt with in Austria and Sweden. Two research questions have been answered: (1) How is territorial cohesion under recent development still kept up as a value in the two welfare states? In the Swedish case the ambitions of spatial justice – here conceptualised through the Cohesion Policy – are gone, which result in little action to mitigate demographic challenges in peripheral regions. Austria still maintains a comprehensive provision of welfare services (SGI) under difficult conditions. How to mitigate is on the political agenda.

(2) Which adaption strategies are followed to tackle challenges caused by economic and demographic developments? As Sweden has given up the idea of spatial justice, no action is taken to mitigate or counteract demographic and economic developments in peripheral areas. The focus is on economic growth in cities. In the Austrian case the different federal levels are having different perspectives on how to adapt. The federal level in general is following the idea of keeping up SGI provision, which is also necessary since by law equal living conditions are guaranteed in most of the federal states. Practical adaption strategies are conducted on the local level, by municipalities taking over and supporting SGI provision. Also the national level sees it important to secure SGI provision also in peripheries, but with further budget restrictions and ongoing demographic change the question arises if some peripheral structures might have to be relinquished

This paper also shows that it is not EU Member States in economic difficulties or in transition economies experiencing challenges related to population decline and population ageing but rather

regions within individual Member States. Austria and Sweden were relatively unaffected by the 2008-2009 financial crisis and are considered to be advanced welfare states. Still, the provision of SGI is troublesome also in these countries. Furthermore, this paper shows that spatial justice has become subordinate to economic growth, at the national level as well as the EU level.

The worsened situation regarding SGI provision is determined by a shrinking population and a narrowed tax base, limiting both demand and supply. The adjustment to a new reality in a post-industrial society is apparently difficult. It is simple for politicians to blame 'globalisation' or the EU for the retreat in SGI provision. In both Austria and Sweden the national politicians appear to do little to mitigate, or even counteract the process of declining populations in peripheral areas. In Austria the discussion of an organised retreat (rückbau) from some areas at least indicates an awareness of the problem. As long as spatial justice is subordinated to economic growth the destiny of the studied regions are rather gloomy. At least in terms of SGI provision.

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