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Bulletin
Institute for Employment Research

Employment in the Single European Market

The European programme for completing the internal market by 1992 raises a number of questions relating to the labour market, in particular the impact of completion on the demand for labour, the supply of labour, outcomes for employment and labour costs, and the likely distribution of employment amongst member states. While the impact upon the member states is a natural starting point, concern is being expressed about the nature of the jobs likely to be located and the degree to which completion will favour the location of key operations in some countries rather than others. Occupations associated with the dynamics of economic change – strategic management, business services, research design and development, are especially important. Countries able to attract concentrations of these activities are likely to prosper. The Institute for Employment Research is conducting a range of projects that focus on these and related issues, and a number are discussed below.

Single European Market (SEM) Scenarios for the Employment of Women and Men in Great Britain

A recent study, funded by the Equal Opportunities Commission, provided simulations of three scenarios of the prospects for British employment over the 1990s, distinguishing separately the changes likely to affect men and women.[1]

- an efficiency scenario – resulting from vigorous product market competition and promotion of labour market flexibility
- a cost-cutting scenario – arising from fierce price competition among European producers
- a quality scenario – the evolution of a high value-added/high skill European economy stimulated by the wider economic and social effects of greater integration.

The simulations provide a broad quantitative basis for both more specific quantitative analysis of particular aspects of labour market change affecting men and women and qualitative analysis which seeks to integrate evidence on the nature of change with that of the possible scale. Understanding the link between 'nature' and 'scale' is particularly important in the study of socio-economic change. The implications of the cost cutting and quality scenarios have been examined in relation to the efficiency scenario.

The efficiency scenario accords closely to the IER's medium term assessment and expects an increase of 1.1 million jobs before the turn of the century; in services rather than manufacturing, and largely part-time and low paid. The largest increases occur in miscellaneous services, with tourism and leisure related businesses an important source of employment growth. The main areas of job loss are amongst primary and manufacturing industries (approximately 1 million).

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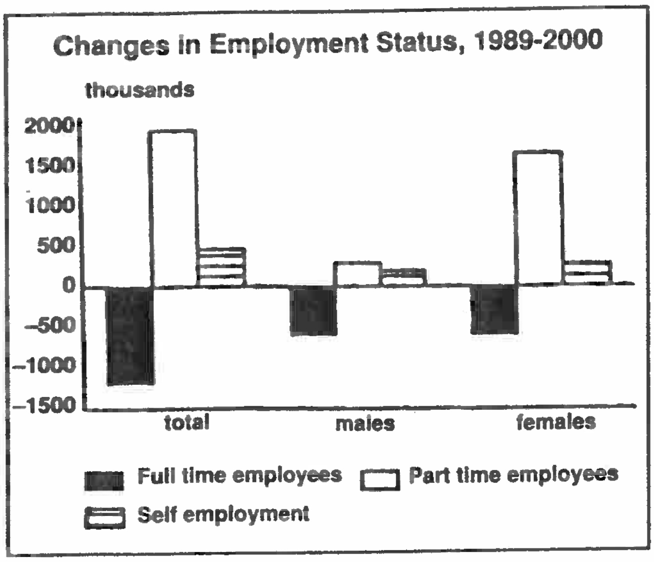
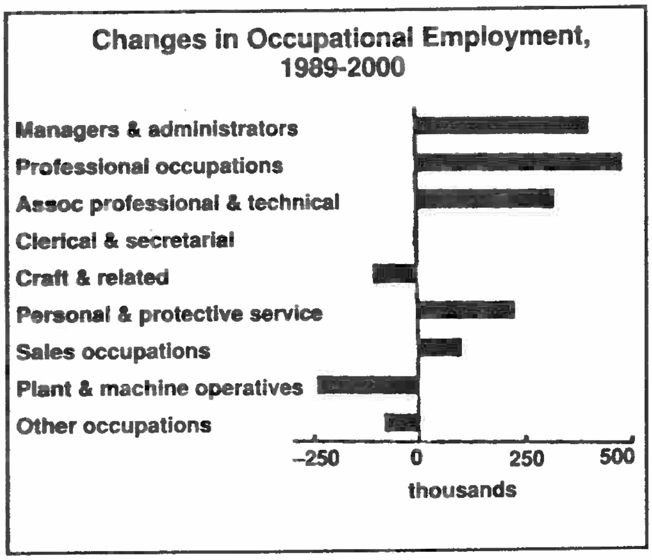


Women are expected to be the main beneficiaries of these changes, accounting for nearly all of the net increase in employment of the projected 1.1 million growth in the labour force. Most of the net additions will be women aged 25-54.

The pattern of demand for skills will also alter substantially by the year 2000. Job losses will continue in traditional blue collar areas, with offsetting growth in managerial, professional, associate professional and skilled personal service occupations.



Considered by both industrial sector and occupation, the cost-cutting scenario results in a percentage reduction in employment relative to the efficiency scenario, which is most pronounced in the other manufacturing, banking, construction and miscellaneous services sectors. Absolute job losses are concentrated in distribution, finance and business services, miscellaneous services and manufacturing. Compared to the efficiency scenario, the quality scenario indicates percentage increases in employment, most pronounced in the chemicals, construction and banking sectors. Absolute increases are concentrated in distribution, businesses and miscellaneous services and banking.

Implications for Men and Women

The implications of the different scenarios for the employment of men and women are considerable. For women, the distribution sector stands out as dominating the employment effect with miscellaneous services and banking and business services providing most of the remaining job losses (under the cost-cutting scenario) or job gains (under the quality scenario). Part-time employment changes are even more highly concentrated on these sectors. Most of these jobs will, of course, be taken by women if past trends prevail.

The occupational prospects for men and women are clearly differentiated. Under cost-cutting, among women, employment losses, relative to the efficiency scenario occur particularly in clerical and secretarial occupations, in other white collar occupations and amongst manual unskilled occupations. These areas benefit under the quality scenario. For men, the employment effects are concentrated upon managers and administrators, craft and skilled manual occupations and plant and machine operatives.

Several key points emerge from the analysis of the simulations. First, the broad range of uncertainty relating to the impact of SEM upon GDP and employment is of the same order of magnitude as the probable impact of completion of the internal market upon the progress of the economy under the efficiency scenario. Thus the differences between the cost-cutting and quality scenarios by 2000 is somewhat larger than the average estimate often given for the impact of completion of the internal market upon the growth of the UK economy over the 1990s. The results imply that the cost-cutting scenario could roughly negate the benefits of SEM and the quality scenario could double them.

Second, if the risks of completion were worth taking since Britain overall is unlikely to be worse off and will probably gain significantly, the benefits and costs are distributed unevenly across industries, occupations and socio-demographic groups: some members of the labour force will face high and prolonged economic and social costs of adjustment. It would, therefore, seem worthwhile to hedge the betting on Britain's prospects by looking closely at the conditions required to ensure that the quality scenario comes about both for Britain and the rest of Europe.

Third, periods of recession and structural adjustment are generally unfavourable to the promotion of equal opportunities. People in depressed regions, women and ethnic minorities tend to find economic and social reform hampered by poor economic performance at the national level. Structural change in the 1970s and 1980s, however, hit male employment prospects hardest because manual jobs in manufacturing were primarily held by men. During the 1990s the principal structural shock could arise in services, not so much in terms of a major change in the absolute scale of the service sector or in its size relative to manufacturing, but in the internal structure of services and the nature of the jobs in the sector. The shifting of the market/non-market boundary in health and education, the scope for higher value-added services in hitherto low value-added areas, such as tourism and leisure, and the threat to certain established services such as banking are all phenomena which have potentially strong implications for the balance of threats versus opportunities in the field of women's employment.

The fourth conclusion is that where the growth of employment in intermediate and higher occupations is in areas already subject to shortages this may condition the way in which the employment of women is seen as a potential, if partial, solution. In some occupations (eg. computer programming), shortages lead to the development of specialised services supplying project-related support, commanding high prices; in others (eg. teaching), shortages lead to greater recourse to flexible alternatives without changing significantly the status of those providing the service (as for supply teachers). Of course, the structures which emerge may serve only to ameliorate rather than make a significant contribution to tackling the underlying problem. But the key implication for women is that their fortunes depend on possessing skills in short supply in market conditions which allow the quality of the resulting jobs to rise. Failing this, the outcome would be likely to involve the wider utilisation of people (who may be women) with somewhat lower qualifications or much lower market power. Achieving the quality scenario for women as well as the nation as a whole depends not only on the interaction between internal and external labour markets but also upon how households tackle the labour supply question.

Spatial Aspects of the SEM Scenarios: Implications for Women's Employment

Spatially, the potential advantages of the SEM are unlikely to be evenly distributed. To date little attention has been focused on the sub-national spatial implications of market integration or the potential differential consequences for men and women. Nevertheless, it is widely acknowledged that the regional and sub-regional implications of the SEM are potentially of great importance.

The impact of the SEM on any area will depend on both the *structural* characteristics and location of that area. Recent research[2] has been concerned to identify areas of industrial vulnerability and strength, and of occupational vulnerability and strength, on the grounds that the differential effects of SEM scenarios on industries and occupations will have varying impacts on women in different areas due to spatial variations in the structure of women's employment. However, change in employment at the sub-national scale cannot be 'explained' solely in terms of national scale changes and regional/local variations in structural specialisation. Hence, a perspective on local effects, and their possible implications for women's employment prospects across space, is also important.

Evidence from secondary data sources on the *main dimensions* of recent *industrial, occupational* and *spatial employment change* reveals a number of key features:-

- a relative concentration of women in lower grade occupations in the service sector, and in part-time work;
- a continuing aggregate shift from manufacturing to service employment;
- a shift in demand towards a more highly qualified workforce, reflected in a growth in higher grade occupations at the expense of lower grade ones;
- more favourable growth performance in the South than in the North, and in smaller towns and rural areas than in the largest urban areas.

Projected growth in service sector employment and in part-time and temporary working may be expected to benefit women at the expense of men. On the other hand, female employment is concentrated in jobs requiring few qualifications, and with the SEM likely to stimulate competition and productivity, perhaps resulting in the substitution of capital for less qualified workers – further reinforcing the projected occupational shift from higher to lower grade occupations, women may suffer. Pronounced spatial differentials in employment growth and decline favour women in the less urbanised areas of the south, at the expense of those in the large metropolitan areas of the north.

Structural trends (both industrial and occupational) also favour southern rather than northern Britain. The fact that women are over-represented in service industries, and service industries tend to display a more even spatial distribution than manufacturing, perhaps indicates that in terms of employment opportunities, women may be less at risk from devastation of particular local economies than men. Moreover, the occupations in which women are most concentrated are amongst those with the most even spatial distribution.

In quantitative terms women are likely to be the prime beneficiaries of new jobs created, but the quality of jobs available to them may pose more of a problem. The effect of the SEM on particular industries and occupations will be influenced by both the specific measures in the SEM programme, and dynamic changes likely to be induced as the process of economic integration proceeds. The differential response of existing and potential employers to these changes is likely to be of crucial importance to women's employment opportunities at the local scale. It is local scale impacts which are of crucial importance for women (particularly for the women with no or few formal qualifications who tend to work closest to home) because of their shorter journeys to work.

Turning to *location*, the SEM is only one of a series of developments with locational consequences, and it is difficult to separate out the potential spatial implications of the SEM from those consequent upon other factors. From a *core-periphery* perspective, the UK is peripheral within Europe, while at the national scale the South East is the core region. At the *regional scale*, a variety of mixes of locational and structural advantages and disadvantages are evident, sometimes reinforcing one another and sometimes acting in contradictory directions. *Inter-urban* competition is likely to become more acute. and many UK cities currently measure up relatively poorly against their European counterparts. Overall, it is concluded that while there is scope for the reduction of spatial imbalances with the SEM, it seems most likely that the present or similar patterns of relative advantage and disadvantage will persist.

Although considerable uncertainty surrounds the spatial implications of the 3 SEM scenarios discussed earlier, it is possible to draw up a *balance sheet* of features characterising gainers and 'losers'. The *most likely 'gainer'* under a quality scenario will be a highly qualified woman in a professional occupation, employed by a large financial services organisation located in a small town boasting a good quality of life, within relatively easy access of a metropolitan centre (probably London), a motorway, a high speed railway and an international airport, in south-eastern England. The *most likely 'loser'* under a cost cutting scenario will be a woman lacking formal educational qualifications employed in an unskilled manual occupation by a small or medium-sized organisation in an uncompetitive vulnerable manufacturing industry, in a poor quality inner city or outer estate environment in a city with a poor image in north-western Britain (for example Liverpool).

Industrial Change in Europe – a case study of the printing industry

Further work within the IER is focused on particular industries in a European context. The *Printing industry* is an important employer in the European community, accounting for 0.5 per cent of the EC labour force in 1990. Output and employment are concentrated in France, West Germany and the UK, although levels of production and employment are substantial in the rest of the EC. Developments in information and communications technology (ICT), such as videotex and on-line database access potentially provide product substitutes for printed goods. Accordingly, a degree of uncertainty surrounds the future of the industry, although available evidence indicates that the industry has undergone something of a renaissance in recent years. IER have been involved in a study to forecast the impact of ICT on employment and production in the EC to the year 2005.

Trends in demand and trade

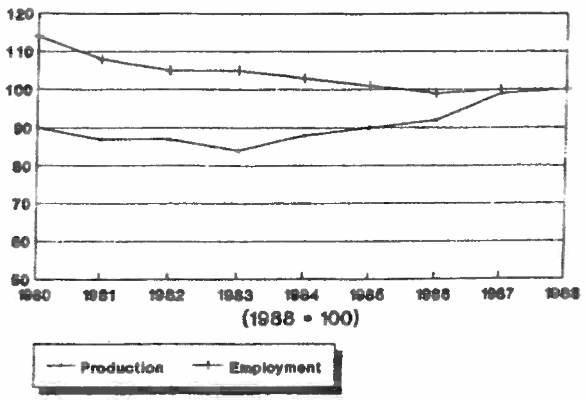
Demand for books, newspapers and periodicals grew during the 1980s, but the real success of the industry was in generating demand for its other output; greetings cards, posters, printed money, insurance/legal documentation and packaging. Developments in ICT, which allow direct access and interrogation of databases, remain an advanced practice, but provide a growing demand for hard copy accounts. Trade is dominated by the large EC producers: France, Italy, the UK, Germany and the Netherlands. Imports and exports are of limited importance although there is an embryonic trend towards the further internationalisation of printing, linked to the increasingly international structure of the publishing industry, which has seen several mergers and takeovers in recent years.

Employment patterns

During the later 1970s and 1980s employment in printing declined at about two per cent per year. The industry's dependence on the business and corporate sectors increased its sensitivity to the European economy's downturn in the early 1980s. The introduction of new production processes also resulted in employment loss. In particular digital systems have revolutionised the printing process, by automating the previously labour intensive typesetting, compositing and plate making. Technological advances in the area of desk top publishing have also allowed 'in house' printing services to develop although the evidence suggests that this has generated additional printing demands rather than substituted for the role of the printer.

The nature of employment has also changed. Where once the role of the printer was considered a skilled one, technological change has increasingly transformed manually intensive occupations into non-manual clerical-type occupations involving different sets of tasks. The transformation is largely one of de-skilling.

Production and Employment (1980-1988)



The impact of the SEM

Because the industry is so domestically oriented, and is still largely characterised by small establishments serving local markets, the direct impact of the SEM is not expected to be marked, although the role of the smaller printers may be adversely affected to the extent that the SEM and the Social Charter increase labour costs in these enterprises.

Two scenarious were used in the HERMES macro-economic exercise to provide a forecast for the industry to the year 2005.

European printing: employment scenario

Country	1988 Absolute '000	Growth rates 1988-1995		1988-2005	
		O	P	O	P
France	134	1.50	1.13	1.50	1.04
Germany	107	0.09	–0.09	0.21	0.07
Italy	49	1.40	1.40	1.58	1.58
UK	163	–0.85	–0.85	–1.06	–1.06
Eur 12	182	0.22	0.40	0.37	0.40

O = optimistic scenario
P = pessimistic scenario

The pessimistic forecast assumes a limited diffusion of new technologies into the industry. The optimistic scenario assumes the widespread diffusion of these technologies

A Common Occupational Classification for Europe

Following successful completion of work on the development of a new Standard Occupational Classification for all official sources of occupational statistics in the UK, the IER is currently involved in a project which will assist all national statistical agencies of European Community countries in reporting occupational information to the European statistical agency, EUROSTAT.

It may seem somewhat surprising that there is, as yet, no common framework for the reporting of Census and Labour Force Survey occupational information to EUROSTAT. This reflects the fact that some national occupational classifications are based upon quite different principles in their construction, complicating the task of comparing occupational categories.

Following the development of the new International Standard of Occupational Classifications (ISC0-88), EUROSTAT and the national statistical agencies of the EC have agreed to attempt to bridge this difficult gap in the harmonisation of their statistics.

Some countries of the EC have decided to adopt ISC0-88 as their new national standard. Other countries, such as the UK, have recently modified their national occupational classifications, taking account of ISC0-88. France and Germany use classifications which do not link easily with ISC0-88.

Key areas of difficulty which have been identified are the definition of 'manager', the different treatment of public service occupations in national classifications and the level of skill associated with agricultural and machine-operating occupations.

Notes

1. The simulations are built around particular scenarious which are fully characterised in R. Lindley (1990) 'Fiscal Policy, Labour Market Strategies and 1992'.

2. A. Green. 'Implications of the Single European Market for the Employment of Women and Men in Great Britain'.

Both papers are available from the Institute for Employment Research.

The Institute

The Institute for Employment Research was established by the University of Warwick in 1981. The IER has a diverse portfolio of research projects funded by organisations which include the Employment Department Group, the Economic and Social Research Council, the Department of Social Security, the Commission of the European Communities and a number of local authorities.

Current research includes: forecasting occupational change and skill requirements at the national and local levels, the evaluation of employment policies and programmes, recruitment processes, international aspects of labour markets, the likely labour market consequences of completion of the European single market, and the impact of demographic change on employment opportunities.

Age Works
Why Employing the Over 50s Makes Good Business Sense

by Terence Hogarth and Michael Barth

A new report available from the Institute for Employment Research describes case study evidence which demonstrates for the first time that older workers are both a productive and cost effective source of labour service. The study focuses upon the DIY chain B&Q and in particular, the Macclesfield store which is staffed entirely by employees over 50. This research was supported by the Commonwealth Fund and first published in May 1991.

Further details can be obtained from the Publications Secretary, at the Institute for Employment Research.

Other recent reports from IER include

Demographic Change and Labour Market Policies by Robert Lindley

The Labour Force Attachment of Older Workers: 1981-1987 by Robert Lindley and Wayne Thomas.

These two reports are available from the Publications Secretary priced £10 each.

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