

# Bulletin

Institute for  
Employment  
Research

## EMPLOYMENT IN EUROPE<sup>1</sup>

### Introduction

Employment growth in the European Union (EU) experienced a buoyant period over the latter half of the 1980s. But as economic slowdown in the early 1990s took its toll upon the labour market, employment growth gradually went into reverse. As the millennium nears its end, the EU is still faced by many of the labour market problems which have plagued it for much of the last twenty years or so:

- (i) unemployment remains high (at around 10 per cent of the labour force over the early 1990s);
- (ii) labour force participation rates are low compared to the USA and Japan; and
- (iii) employment growth, although positive over the latter half of the 1980s, pales compared to that of Japan and the USA.

Perhaps most worrying is that economic recovery in the 1990s has yet to translate into employment growth and may presage a longer period of 'jobless growth'. Indeed, economic recovery might peter out before making much of an impact on employment levels.

Of course, the situation fluctuates across the EU; the situation faced by Denmark, for instance, is significantly different from that, say, in Greece. Nevertheless, policy solutions are increasingly being sought at the EU level and a number of policy prescriptions have been forthcoming.

1 This *Bulletin* was prepared by Terence Hogarth, Institute for Employment Research, University of Warwick, Coventry CV4 7AL. Telephone: 01203 524127 Fax: 01203 524241. The Institute undertakes a wide range of European labour market research, further details of which may be obtained from the Publications Secretary at the above address.

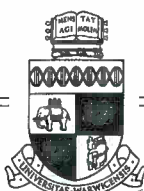
The role of the market, levels of social protection, and the role of state or EU economic interventions, have all been advocated and subjected to rigorous criticism in the debate surrounding the future of work and economic prosperity in the EU.

Against the background just described, this *Bulletin* outlines the changing nature of labour demand in the EU over the 1980s and provides an indication of the likely trends over the 1990s. It reports on a major study of employment trends in the EU sponsored by the European Commission and undertaken by IER in a consortium with several of Europe's leading research institutes.<sup>2</sup> Analysis is provided on employment by industry; region; and occupation, gender, full-time/part-time and full-time equivalent employment. Although this *Bulletin* provides only a snapshot of the overall picture, it is one which captures the main trends in employment across the EU and, as such, highlights the labour demand problem facing Europe.<sup>3</sup>

### Employment Trends

Approximately eight million jobs were created in the EU over the 1980s (*Table 1*). Although all member states – with the exception of Ireland and Portugal – experienced a positive average annual rate of increase over the 1982-91

- 2 This study was co-ordinated by Kurt Vogler-Ludwig of IFO-Institut (Munich) in conjunction with IER, BIPE (Paris) and Cambridge Econometrics (Cambridge). The study has been recently published as *Medium-term Employment Forecasts by EU Regions and Sectors of Industry, 1991-97* by the Commission of the European Communities/ERECO, and is available through HMSO Books (Agency Division) in the UK.
- 3 Twelve member states: Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, United Kingdom.



period, the rate of increase was strongest in West Germany, Luxembourg, Netherlands, and Spain. Indeed, Spain alone witnessed a net increase of approximately 1.5 million jobs over the period.

**Table 1**  
**Employment in EU Member States**

Country	Employment		
	Total (000s)	Average Annual % Change	
	1991	1982-91	1991-97
Belgium	3,769	0.6	0.2
Denmark	2,551	0.6	0.4
France	22,484	0.3	-0.2
Germany - Total	36,397	-	-1.6
Germany - East	7,179	-	-6.9
Germany - West	29,219	1.0	-0.4
Greece	3,632	0.3	0.4
Ireland	1,124	-0.2	1.0
Italy	21,900	0.5	0.0
Luxembourg	197	2.5	0.6
Netherlands	6,155	1.0	0.8
Portuga	13,745	-0.3	0.1
Spain	12,610	1.4	0.6
United Kingdom	25,671	0.8	-0.2
EU 12 (incl. East Germany)	140,236	-	-0.3
EU 12 (excl. East Germany)	133,057	0.7	0.0

Source: IFO/IER/ERECO

The positive employment conditions which prevailed over the latter half of the 1980s gave way to employment decline in the early 1990s. In part, this stemmed from the economic turbulence and restructuring across Europe which followed in the wake of German re-unification. The projected trend for the 1991-97 period captures a substantial downturn in employment opportunities over the early 1990s and a gradual recovery by 1997, but only to their 1991 level. The picture varies by member state with by far the most rapid employment falls forecast to take place in eastern Germany. At best, however, member states are projected to experience only modest employment growth.

### Industry Trends

The distribution of manufacturing and service sector employment varies by member state; for instance, the UK is much more dependent upon service sector employment than Germany with its traditionally strong manufacturing sector. The general trend, however, is one of a shift from manufacturing employment to service sector employment.

The EU witnessed a considerable shift in employment from the production sector to the service sector over the 1980s (Table 2). Between 1982 and 1991 employment in the manufacturing sector contracted at an annual average rate of 0.7 per cent, which accounted for the net loss of approximately 1.8 million manufacturing jobs. In contrast, the service sector experienced buoyant employment growth; market services (all private sector services) increased at an annual average rate of 2.2 per cent and non-market services at a rate of 1.4 per cent. Although the rate of employment growth in the service sector was able to offset the loss of jobs in manufacturing, this is not to say that those losing their jobs in one sector have gained jobs in the other. For the 1990s, the projected trend indicates a continuation of that observed over the 1980s albeit at a more modest pace.

**Table 2**  
**Employment by Industry in the EU**

Industry	Employment		
	Total (000s)	Average Annual % Change	
	1991	1982-91*	1991-97
Agriculture	8,503	-3.4	-3.8
Fuel & Power Products	1,782	-2.2	-3.0
Manufacturing	32,662	-0.7	-1.9
Building and Construction	10,312	0.1	0.3
Market Services	57,756	2.2	0.5
Non-market Services	29,221	1.4	0.6
Total	140,236	0.7	-0.3

\* Excludes East Germany  
Source: IFO/IER/ERECO

Within the service sector it has been 'business and financial services', and 'lodging and catering services' which have experienced the strongest employment growth and will remain amongst the major sources of jobs growth in the short- to medium-term. Although some member states have experienced employment falls in 'business and financial services' in the early 1990s, the employment prospects for the sector remain positive for the medium-term.

### Regional Employment Patterns

Of course, the industrial adjustment described above has had, and will continue to have, a considerable differential impact upon employment in the regions of Europe. Across Europe, certain regions have employment particularly concentrated in one industry. Below are listed those regions which have the highest concentrations of employment in manufacturing and market services respectively (Tables 3a and 3b).

**Table 3a**  
**Manufacturing Employment by Region**

Manufacturing Regions	Share of Employment in Manufacturing (%) (1991)	Change in Employment (%) 1991-97
Oberfranken, D	39.9	-3.0
Stuttgart, D	39.1	-2.5
Detmold, D	38.7	-4.6
Tübingen, D	38.4	-1.5
Freiburg, D	37.5	-0.9
Arnsberg, D	36.1	-5.5
Mittlefranken, D	34.9	-1.5
Lombardia, I	34.6	0.1
Karlsruhe, D	34.5	-2.0
Schwaben, D	34.3	-1.5
Giessen, D	34.3	0.1
Pais Vasco, E	34.2	-12.1
Veneto, I	34.0	-0.4
Oberpfalz, D	34.0	-1.8
Braunschweig, D	33.1	-10.7
West Midlands, UK	32.9	-7.8

Source: Cambridge Econometrics/ERECO

**Table 3b**  
**Market Services Employment by Region**

Service Sector Regions	Share of Employment in Services (%) (1991)	Change in Employment (%) 1991-97
Veneto, I	34.0	-0.4
Greater London, UK	63.2	-5.1
Surrey/Sussex, UK	60.1	-2.0
Brussels, B	59.2	3.9
Hamburg, D	55.6	1.1
Canarias, E	55.4	5.0
Berks./Bucks./Oxon., UK	54.7	-3.1
Brabant, B	54.5	7.1
Greater Manchester, UK	54.1	-5.3
Luxembourg, Lux	53.8	4.0
Valle d'Aosta, I	52.5	4.7
Dumfries/Strathclyde, UK	52.3	-3.7
Merseyside, UK	52.2	0.6
Notio Aigaio, H	52.0	-2.0
Baleares, E	51.8	11.3
Ille de France, F	51.2	-1.4
West Yorkshire, UK	51.1	-0.5

Source: Cambridge Econometrics/ERECO

Manufacturing employment is particularly concentrated in the regions of Germany, Spain and Italy. In particular, several regions in Germany are the most dependent upon

manufacturing employment. Whilst Germany has a strong manufacturing base, output growth in the country will be insufficient to offset job losses accruing from productivity increases.

Service sector activity is concentrated in urban areas, especially so around the London and Paris conurbations. Future employment growth is projected to be away from these major areas as the growth in services takes hold in other regions.

#### Occupation, Gender and Part-time Employment

Considerable attention has been paid to the competitiveness of European industry over recent years. Although the USA was able to achieve spectacular job growth over the 1980s, there is a concern that this was achieved through the creation of low-skill/low productivity jobs. From a European perspective the key question is how to maintain and expand the existing stock of high skill/high productivity jobs. The European Commission's White Paper 'Growth, Competitiveness and Employment' drew attention to the role of vocational education and training in improving skill levels and promoting a competitive, high value-added European economy.

#### Occupational Change

Occupation provides a proxy measure of skill in the labour force. Over the 1980s there is unequivocal evidence of the growth in the numbers of persons employed in higher level occupations (such as managers, professionals and so on). Overall, the evidence points to an upward shift in the skills profile of the EU labour force (Table 4). The greatest employment losses were concentrated amongst 'craft and related workers' and 'plant and related workers' – which comprise skilled and semi-skilled manual jobs – primarily as a consequence of the decline in the manufacturing sector. This trend is anticipated to continue over the 1990s.

#### Male and Female Employment

Female employment has grown more rapidly than male employment over the 1980s. In part, this has been brought about by the growth in service sector employment, and the rise in female labour market participation rates. Traditionally female employment has been concentrated in a few occupations (clerks, service workers) typically located in the service sector. Although female employment grew strongly in these occupations between 1982 and 1991 – and women are still predominately employed in these occupations – the evidence does point to a substantial growth in the number of women entering higher level occupations (Table 4). Indeed, the highest rates of female employment growth were recorded in higher level occupations.

Overall, female employment growth is projected to be modest over the early 1990s, but growth is still anticipated in the higher level occupations which will help offset jobs losses in manual occupations.

#### Part-time Employment

Just as female employment is related to a few specific occupations, it is also related to part-time employment. In 1991, approximately 80 per cent of all part-time jobs were occupied by women. Undoubtedly, women have been the main beneficiaries of the growth in part-time employment.

Over the 1980s, part-time employment has grown substantially in the EU, especially so amongst higher level occupations (managers and professionals) (Table 4). For the future, part-time employment growth is projected to continue albeit at a slower pace than over the 1980s.

#### Full-time Equivalent Employment

The evidence related to part-time employment indicates that the level of demand suggested by the figures for total employment (Table 1) may not be as optimistic as first suggested. If the data for full-time and part-time employment are combined to give an estimate of full-time equivalent employment, then the annual average growth rate of employment growth over the 1980s was approximately 0.5 per cent (compared to 0.7 for total employment) and is projected to be -0.4 per cent over the 1991-97 period (compared to 0.3 for total employment).

#### Conclusion

The purpose of the *Bulletin* was provide a snapshot of employment trends across the EU over the 1980s and provide an indication of trends over the 1990s. A number of features are apparent:

- a substantial transition in employment from the manufacturing to the service sector;
- considerable regional variation in the impact of the above transition;
- a general raising of skill levels across the EU;
- a considerable increase in female employment, especially so in higher level occupations.

The results suggest something of a dilemma. On the one hand the overall level of aggregate labour demand, as measured by full-time equivalent employment, has been modest over the 1982-91 period. Especially so if compared to the USA and Japan. On the other hand, there is evidence of strong growth in higher level occupations which, on the face of it, suggests that there has been a growth in high skill/high productivity jobs. The key question for the EU as it becomes increasingly concerned about growth of social exclusion, is how to balance overall employment growth with that located in high skill/high pay jobs.

**Table 4**  
**Occupation, Gender and Part-time Employment in the EU**

Occupation	Total Employment 1991 (000s)	Annual Average Growth		%	Annual Average Growth		%	Annual Average Growth	
		1982-91*	1991-97		Female (1991)	1982-91*		1991-97	Part-time (1991)
		(%)	(%)		(%)	(%)		(%)	(%)
Legislators/Senior Officials/Managers	9,042	1.6	0.5	30.7	2.6	1.6	7.6	5.6	2.5
Professionals	16,701	3.6	1.6	42.7	4.4	2.2	14.0	7.3	2.7
Technicians/Associate Professionals	14,462	2.2	0.7	43.7	3.0	1.3	12.3	5.7	2.8
Clerks	21,665	1.2	0.1	66.0	1.8	0.2	18.1	5.0	1.6
Service Workers	18,979	1.8	0.0	60.1	2.0	0.0	23.2	4.0	0.9
Skilled Agricultural Workers	7,172	-3.6	-3.6	34.6	-3.8	-4.1	11.8	-1.8	-3.6
Craft and Related Workers	22,837	-0.3	-1.6	15.4	-0.9	-3.0	4.4	2.3	-0.7
Plant and Related Workers	14,720	-0.8	-1.7	16.7	-1.7	-2.8	4.6	3.2	0.1
Elementary Occupations	13,304	0.1	-0.3	47.2	0.3	-0.5	27.7	1.6	0.0
Armed Forces	1,356	-1.2	-2.4	5.5	1.0	1.6	1.0	6.0	4.5
Total	140,236	0.7	-0.3	40.5	1.5	0.1	13.8	3.8	1.1

\* excludes East Germany

Source: IER/ERECO

## EMPLOYMENT TRENDS BY MEMBER STATE

### Belgium

The link between GDP growth and employment growth is anticipated to be weak in the medium-term as a result of increases in productivity. As a consequence of this and rising labour market participation levels, unemployment will remain at a high level. The government implemented the Global Plan in November 1993 to help stimulate the economy and job creation.

### Denmark

Historically, the Danish labour market has followed the broad European trend. The open economy is very much dependent upon trends in Germany and Scandinavia, and it is likely that developments in these regions will limit GDP and employment growth. In the slightly longer-term a more buoyant period of employment growth is projected.

### France

The employment situation in France is projected to be weak over the medium-term. High productivity growth, will result in output growth failing to translate into employment growth. Note that a strength of the French economy is the profitability of its firms which will encourage economic growth.

### Germany

Germany's employment prospects are determined by two major changes: (i) industrial restructuring in eastern Germany; and (ii) projected weak economic growth in the medium-term. Labour demand will be weak in east Germany and migration to the west will be hampered by employment stagnation in the West.

### Greece

Employment prospects are expected to be good in the medium-term resulting from: (i) the government's stabilisation programme; (ii) EU structural and cohesion funds; (iii) restructuring in the manufacturing sector. However, the situation is subject to the government maintaining the above policies.

### Ireland

Employment growth is projected in Ireland over the 1990s. The demographic potential which exists for an increase in the labour force will result in employment growth having little impact on the high level of unemployment. Should employment prospects improve in the UK and USA this may well lead to emigration levels reaching those observed in the latter half of the 1980s.

### Italy

The employment outlook for Italy is favourable. Labour supply will increase only modestly and unemployment is not projected to increase significantly. The above is predicated on: (i) a restrictive budgetary policy; (ii) no growth in average real wages; (iii) only a slight reduction in the lira exchange rate; and (iv) a reduction in nominal and real interest rates.

### Luxembourg

Employment in Luxembourg is heavily dependent upon foreign workers (more than 50 per cent of total employment) and cross-border commuters. The employment of these two groups is expected to increase in the medium-term. Unemployment in Luxembourg is the lowest in the EU varying between 1.5 and 2.7 per cent over the early 1990s.

### Netherlands

The projected employment trend for the Netherlands is favourable over the 1990s, in part because of a growth in part-time work. Recent signs of a loss of competitiveness in the Dutch economy, and the tight fiscal stance adopted by the government, suggest that economic performance in the 1990s may not match that of the 1980s.

### Portugal

The major determinant of the employment outlook in Portugal relates to the industrial restructuring of the economy currently underway. Although the trend suggests modest employment growth in the medium-term, the economy is sensitive to the transition process currently underway. A large share of Portuguese industries are subject to strong external competition.

### Spain

The downturn in the Spanish economy has had a dramatic impact on employment levels. The trend indicates an upturn in employment growth in the medium-term, but this is based upon the reform of the labour market accelerating the economic recovery. An increase in labour supply will result in unemployment remaining at a high level.

### United Kingdom

By the mid-1990s employment levels are expected to have recovered to their pre-recession 1991 level. In the medium-term, labour supply will increase due, in large part, to the increased activity rates of women. In line with trends witnessed during the 1980s, the medium-term will see higher rates of female employment, part-time work, and self-employment.

## **MORTGAGES, FAMILIES AND JOBS**

### **An Exploration of the Growth in Home Ownership in the 1980s**

**Terence Hogarth, Peter Elias and Janet Ford**

Home ownership, backed by mortgage finance, has spread through all social classes during the 1980s. This detailed study of the links between social class, housing tenure, employment status and household composition concludes that there has been a significant increase in the proportion of mortgagors who are at risk of experiencing unemployment.

The research was supported by the Joseph Rowntree Foundation.

**Price £7.50**

Available from the Publications Secretary, Institute for Employment Research, University of Warwick,  
Coventry CV4 7AL. Tel: 01203 524127; Fax: 01203 524241; Email: R.Larsen@warwick.ac.uk

## **IER CONFERENCES 1996**

**Tuesday 7th May**

### **Training and employee development**

Topic areas which form the focus of specific sessions include the costs of training, continuing training in the workplace, the role of employee development programmes, individual commitment to learning and the 'learning organisation'.

**Thursday 6th – Friday 7th June**

### **Developments in local forecasting**

The aim is to provide a forum where those involved in local forecasting and labour market assessment can exchange ideas about the latest developments in modelling, data analysis and availability and related matters.

**Tuesday 16th July**

### **Education, training and labour market entry**

Topics addressed will focus on developments in the labour market for young people and training policy, including Modern Apprenticeships; changes in the route through the vocational education and training system into the labour market; new qualifications and attainment levels; and international comparisons of training systems.

**Tuesday 1st October**

### **Unemployment, policy and local strategies**

This conference will explore some of the consequences of labour market change for the incidence of unemployment and for policy to reduce joblessness. Attention will be paid to particular groups and to links between reducing unemployment and improving local competitiveness.

**Friday 22nd November**

### **The UK labour market in the 1990s**

The conference will cover aspects of labour market trends, including labour supply, unemployment prospects, sectoral developments, changing demand for skills and other aspects of employment structure.

The conferences are aimed at those engaged in labour market intelligence, evaluation, economic development, training and related activities. All conferences are held at the University of Warwick.

For further information please contact: Alison Negus, Conference Secretary, Institute for Employment Research, University of Warwick, Coventry CV4 7AL. Tel: 01203 524128; Fax: 01203 524241; Email: Alison.Negus@warwick.ac.uk