

Employment in

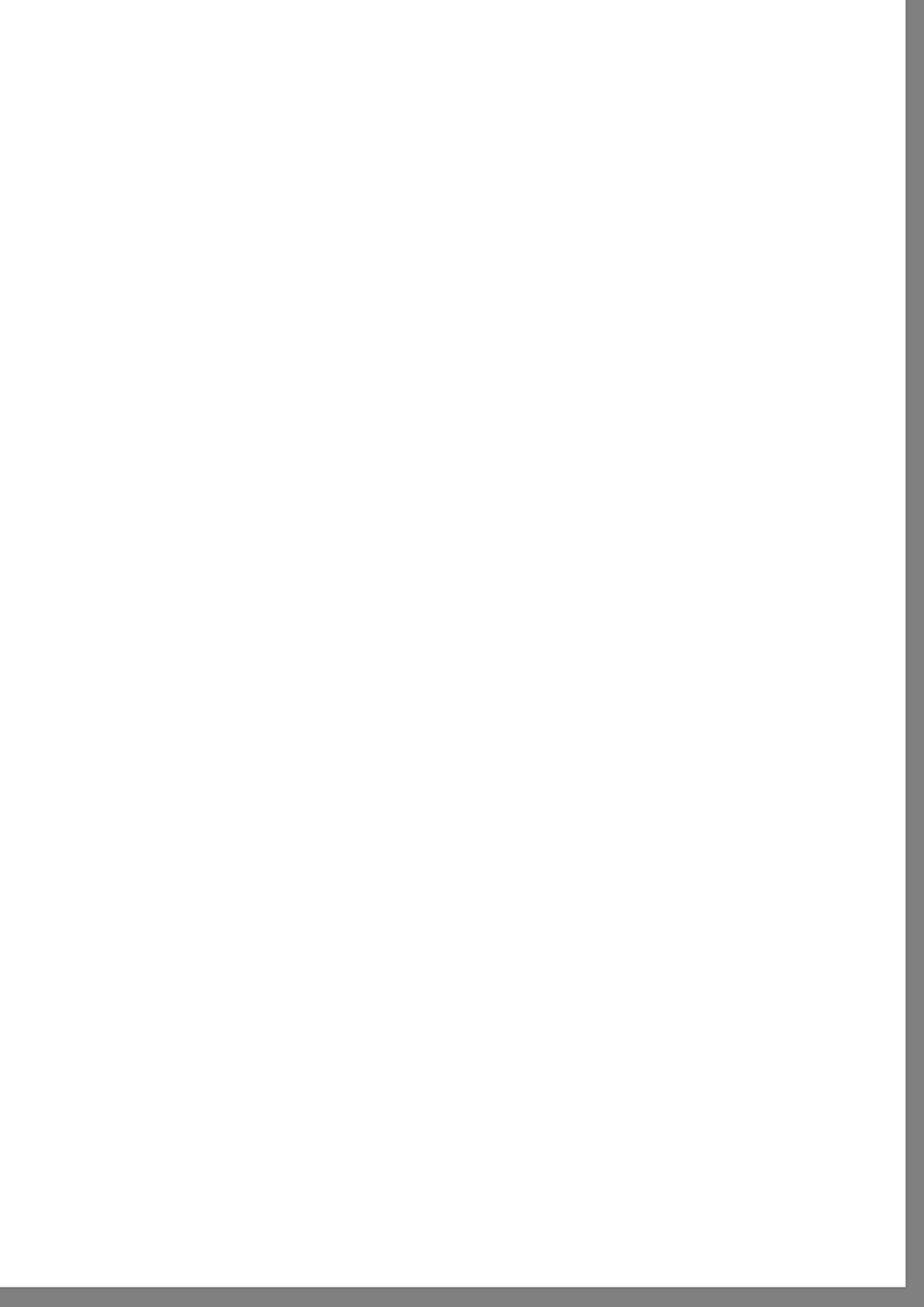
EUROPE



Commission of the
European Communities



Directorate-General for Employment,
Industrial Relations and Social Affairs



Commission of the European Communities

Employment in EUROPE

1991

Directorate-General
Employment, Industrial Relations and Social Affairs

This publication is also available in the following languages:

ES ISBN 92-826-2912-0
DA ISBN 92-826-2913-9
DE ISBN 92-826-2914-7
GR ISBN 92-826-2915-5
FR ISBN 92-826-2917-1
IT ISBN 92-826-2918-X
NL ISBN 92-826-2919-8
PT ISBN 92-826-2920-1

Cataloguing data can be found at the end of this publication

Luxembourg: Office for Official Publications of the European Communities, 1991

ISBN 92-826-2916-3

Catalogue number: CE-70-91-718-EN-C

Reproduction is authorized, except for commercial purposes, provided the source is acknowledged.

Printed in Belgium

Foreword

After five years of sustained employment growth and some significant reduction in the level of unemployment, unemployment has started to rise again.

Unemployment seems to have become almost endemic in our system, leaving us with over 12 million people still unemployed, even at the peak of the economic cycle. In one sense, we know the reason — many of the jobs that have been created have been filled by new people not previously in the labour market, who have got in first before the unemployed and the long-term unemployed.

However, it is clear that the causes of unemployment are much more complex and deep-rooted. To get unemployment moving downwards again will require not just a resumption of growth but special measures for young people under 25 (whose unemployment rate is twice that of adults), for women (whose unemployment rate is twice that of men) as well as for the long-term unemployed.

More long-term and wide-ranging action is also required. We need to make fundamental changes in the way the labour market works, and in the way we seek to help and assist people into employment. We need to ensure that economic potential is translated into employment opportunities to an even greater extent than has been achieved in the recent past. We need to give people the education and training necessary, not only to fill jobs on offer, but

also to expand the range of employment possibilities they can fulfil in the changing world economy. And we need to find better ways of removing obstacles to employment and business creation while maintaining correct and acceptable standards.

The current set-back in economic and employment fortunes is also a warning regarding our progress in achieving real convergence between the more and the less developed regions of the Community. The period of economic growth from 1985 to 1990 brought some convergence in real incomes per head between the richer and poorer parts of the Community. However, employment increased by no more in the less developed regions overall than in the more prosperous regions and, because of the higher growth in working age population, unemployment actually rose in the poorer areas over this period in marked contrast to the Community-wide downward trend. The prospect of lower economic growth and lower overall rates of employment creation raises fears that further progress in the less developed regions will be delayed or seriously slowed.

New challenges have emerged for the 1990s. Not only do we need to tackle the vast range of structural changes that are taking place anyway in the Community; to face up to the consequences of changes in neighbouring countries, notably in Eastern and Central Europe; and to continue the process of convergence

and cohesion within the Community. We also need to ensure a higher and more stable rate of macro-economic growth and expansion — a policy which requires greater cooperation, not only within the Community, but also between the Community and the rest of the world. In this respect, progress towards economic and monetary union offers us the opportunity to build a much higher degree of economic cooperation into our system although, as yet, the necessity for this has still to be fully recognised.

This report, like its predecessors, is full of facts. Facts can be uncomfortable as well as revealing. We need to develop positive habits — looking at facts as a means of analysing problems and identifying possible solutions, and not just as matters to be contested if they do not meet with our preconceptions or with how we would like things to be. Of course, no statistics are perfect in representing the reality they seek to describe, and no forecasts are without their degrees of error. Nevertheless, the data that we have developed regarding the European labour market and economy is of high quality, and has the great merit of being consistent between Member States. It is contributing greatly to our growing understanding of employment-related issues in the Community.

There are a number of realities revealed by such statistics, which need to be faced. First, there are inevitably some downward trends in many areas of employment. It is

clear that agricultural employment will continue to decline in the future as it has done in the past. On the other hand, the decline in manufacturing jobs — which was of the order of 16.5% between 1980 and 1987 — is unlikely to persist. Nevertheless, it is clear that industries such as defence will undergo major changes with the improved prospects for peace; that sectors such as textiles will continue to be threatened by external competition; and that, in general, the Community has too low a proportion of its industrial jobs in the hi-tech, dynamic industries where employment growth is most likely to occur.

Secondly, there are concerns about Community competitiveness. The Community is undoubtedly advancing in terms of its overall economic potential, with the development of the Internal Market and the other steps towards economic and monetary union. However, it is having to compete with the outside world which is also improving its performance.

We need to react positively to this growing competition. We must avoid reacting to such challenges by seeking to lower real wages or accept inferior working conditions. Such a response would not only be costly and divisive in social terms,

it would not provide a long-term solution to the problem it is intended to redress.

The way ahead for the Community lies not in taking such a negative, short-sighted option but rather in undertaking the more difficult task of creating a high-wage, high-productivity, socially-just economy. That requires that businesses in the Community be prepared to keep up to date with ever-changing technology; that employees be willing to learn new ways of doing things and change what they do when necessary; and that governments accept responsibility for providing the education and basic training necessary in order to equip people for working in a technically-challenging environment which demands adaptability and a capacity to develop new skills.

In this light, some of the evidence in this Report is disturbing. There are signs in many parts of the Community that employers have encountered growing difficulty in finding people with the skills they require and that this may have inhibited output growth and job creation.

However, inadequate levels of school and higher education are an even more disturbing factor for the

future. Access to the best possible general education, and to higher education, must be seen as both a fundamental right and as an economic necessity for maximising the potential of the Community labour force. Access to education must never be restricted so as to limit access to the better jobs to certain groups in society, or to perpetuate an underclass which can neither contribute to, nor share in, the benefits of a modern economy.

For both education and training, there are problems in many parts of the Community which need to be addressed. We are not alone in facing such difficulties — the United States has confronted similar problems and has taken action to reduce discrimination and inequalities of opportunity. However, we have been slow to tackle the problems and have tended to underestimate the importance of the Community dimension. Failure to act to reduce disparities in the provision of education and training between Member States, particularly between the North and South of the Community, will inhibit the development of the Community as a whole as well as holding back opportunities for those people who are currently the least privileged.

Vasso Papandreou

Table of Contents

Summary and Conclusions

Part I Employment Prospects

Chapter 1 Employment in the Community

Chapter 2 Short-Term Outlook

Chapter 3 The Complex Problem of Persistent Unemployment

Part II Employment Issues

Chapter 4 European Integration and Regional Labour Markets

Chapter 5 Employment in Agriculture: Decline and Diversification

Chapter 6 Employment in Industry: a Decade of Change

Part III Employment Policies

Chapter 7 Skill Shortages: a Growing Problem in the Community?

Community Action to Promote the Employment of Women

List of Graphs

Sources

Acknowledgements

This report was prepared with the collaboration of:

Directorate-General II — Economic and Financial Affairs

Directorate-General III — Internal Market and Industrial Affairs

Directorate-General VI — Agriculture

Directorate-General XVI — Regional Policy

Eurostat — Statistical Office of the European Communities

Task Force for Human Resources, Education, Training and Youth

Summary and Conclusions

Introduction

The latter part of the 1980s was a time of optimism in Europe. After several years of slow growth, inadequate job creation and high unemployment, economic recovery in the Community seemed well established, employment was increasing at an historically high rate and unemployment was falling. The Single Market programme for removing barriers to internal trade and widening the scope of competition between European producers had been embraced enthusiastically, accelerating the trend towards the organisation of production and distribution on a European-wide basis. Outside the Community, political reform in Central and Eastern European countries was opening up the prospect of considerable trade growth and closer commercial relations.

The first year and a half of the 1990s, although it may not have destroyed this optimism, has demonstrated that the Community still faces serious difficulties in sustaining economic growth and generating sufficient employment to meet demands. It has also highlighted the fact that the Community, because of its openness and its importance in the global trading and financial system, remains vulnerable to events in the rest of the World, particularly those which take place in neighbouring regions.

Since the beginning of 1990, economic growth in many Member

States of the Community has slowed appreciably. From the third quarter of the year, as a delayed reaction to this, the lengthy period of rapid job creation has come to a halt. For most Member States, the forecast is for some economic recovery starting in the second half of 1991 but at modest rates, for little or no growth of employment and for rising unemployment.

Despite the current slowdown in the World economy, the fundamentally healthy underlying growth conditions in the Community are expected to reassert themselves in the medium term. Nevertheless, there remains a risk that the current downturn, rather than a temporary interruption to acceptable rates of economic growth — brought on by the Gulf War, the downturn in the US economy and corrective fiscal and monetary policies in some Member States — could turn into the beginning of another prolonged period of slow economic growth and stagnating employment.

External Problems

The external economic environment with which the Community has to contend over the next few years, and beyond, contains some elements of risk. The Community is bordered by countries to the South and East, in the Middle East, Africa and Central and Eastern Europe, which are natural trading partners, and present an enormous potential for increased trade, but which face

substantial economic and social difficulties.

The Middle East, which is both a key source of supply of primary energy to Member States and an important market for European producers, is beset by political and economic problems which will tend to mean slow and variable growth combined with uncertain and unstable oil prices.

The Central and Eastern Europe countries have encountered severe problems in making the transition from control to market economies. An effective market mechanism has yet to be established and, while they have dismantled the apparatus of managed trade among themselves, they now find that they have little which is saleable on World markets, partly because their previous isolation denied them access to the technical progress which has transformed products and production techniques in the West.

At present, companies from Western Europe and elsewhere are deterred from investing heavily in Central and Eastern European economies by the economic situation and uncertainty about future political developments. Reforms are underway, although there remain uncertainties about the chances of sustained growth and of maintaining recent increases in trade with the Community.

These difficulties affect the Community in various ways. The prospects for the expansion of trade

and investment are an important potential source of production and employment for the Member States of the Community. They could also result in massive pressure from their people to come into the Community in search of work. Immigration pressures on such a scale would be difficult to control and, in a context of slow economic growth and limited employment creation in the Community, would lead to major social problems in areas where new immigrants looked for housing and jobs.

Outside Europe and the neighbouring regions, the events of the first 18 months of the 1990s have also demonstrated the vulnerability of the World economy to downturns in the US, and have shown that major imbalances in trade and international finance, and a global shortage of savings, represent a serious obstacle to the sustained recovery of global output and trade, in which the Community is such a major participant. A positive outcome to the GATT negotiations could have a beneficial effect on the whole of the World economy.

Internal Challenges

The adverse external environment does not mean that the Community inevitably faces a prolonged period of slow growth during the 1990s. It does mean, however, that the difficulties of achieving increased employment throughout the Community are greater than seemed to be the case a year ago.

This makes it all the more important that progress towards economic and monetary union is sustained, since this offers the best opportunity for strengthening the European economy and reducing its vulnerability to external shocks. It

also offers a chance for the Community to play a more coordinated and coherent role in cooperating with the US and Japan to manage World economic and financial developments.

The challenge for the Community is not just one of achieving economic growth over the long term. It also means ensuring that the benefits are widely distributed so that all areas of the Community, and all social groups, share in the employment and income opportunities which growth makes possible. Unless this occurs, social cohesion will be threatened and progress towards economic and monetary union impaired.

In the late 1980s, the weaker, less developed Member States did generally enjoy higher rates of growth of output and income per head than the rest of the Community. The benefits of this growth were not always evenly distributed, however. As shown in Chapter 3 which discusses unemployment and in Chapter 4 which discusses the integration of the Community labour market, not all areas benefitted and the economic growth was not always translated into higher rates of employment creation.

More worrying, however, is the fact that this improvement barely compensated for the poorer performance of the weaker regions over the preceding decade — which was a decade of low economic growth. If another period of similarly low economic growth were to occur now and in the next couple of years, there are fears that it might adversely affect the poorer regions once again.

It is also clear that parts of the Community's population have lost

out over the past decade. The most clearly identifiable are those who suffered prolonged periods of unemployment, and who then failed to find work during the period of rapid job creation between 1985 and 1990. Despite the employment expansion over this period, some 4% of the Community labour force in 1989 — totalling almost 6 million people — were classified as long-term unemployed, i.e. they had been out of work for a year or more.

There is also evidence, as reported in *Employment in Europe 1989*, that the relative position of many people on low incomes appears to have deteriorated in a number of Member States during the 1980s. More generally, it is becoming clear that many people, especially women, who are not officially recorded as unemployed, may be prevented from working as they would like because there are no suitable jobs available in the areas where they live or because of lack of childcare or other facilities.

Such people do not show up in unemployment statistics but the scale of the problem is indicated by the much lower employment rate — i.e. the proportion of people of working age who are in employment — in the Community as compared with other comparable countries. In 1990, only just over 60% of people of working age were in employment in Member States as against over 70% in the US, Japan and the rest of Europe.

The presence of such a low rate of employment may effectively explain why unemployment has remained high despite high rates of employment growth. In practice, the significant expansion in employment opportunities has only a limited effect in reducing the unemployment figures because a major proportion of the additional jobs are

taken by people not previously recorded as part of the labour force.

Reducing unemployment to an acceptable level is a major challenge for the Community. This will mean sustaining a rate of job creation which is capable of providing employment for the people recorded as inactive who wish to work as well as for those who are officially recognised as being unemployed. To achieve this may involve more than just securing high rates of economic growth or even high rates of employment growth. The evidence of the past five years and the existence of many obstacles to growth may mean that this, in itself, is not sufficient. It almost certainly needs to be accompanied by measures such as those aimed at improving the flexibility, mobility and training of the labour force in order to tackle the range of difficulties which stand in the way of jobs being created and offered, and of people being able to take them up.

Medium Term Employment Trends

Between 1985 and 1990, employment in the Community increased by an average of 1¹/₂% a year, resulting in a net addition of over 9 million to those in work during these five years. Of these additional jobs, some 70% were taken either by young people coming of working-age or by people joining the labour market after being regarded as being inactive and not part of the workforce. Only 30% were filled by people who had previously been recorded as unemployed.

As a result, although unemployment declined almost continuously throughout this period from its peak of just under 11% in 1985, it still averaged over 8% at the end of

1990. Since then, it has begun to increase once more in a number of Member States, as economic growth has slowed. By mid-1991, unemployment had reached 8.7% over the Community as a whole. The forecast in most parts of the Community is for continued increases over the second half of 1991 and throughout most of 1992.

In what was East Germany, the growth of unemployment has been particularly marked in the first six months of unification as production in inefficient, outmoded, plants has declined precipitously. By mid-1991, the number of people registered as unemployed had approached 1 million, a further 2 million were on short-term work, and migration to the west of the country was occurring at around 20 thousand a month.

The unusual feature of the period 1985 to 1990 was the high rate of employment creation relative to the rate of economic growth achieved in the Community — which was no more than during the previous recovery phase between 1975 and 1979. The net addition to jobs was substantially greater during this period than would have been expected on past relationships between output growth and employment, reflecting an apparent reduction in the growth of output per person employed.

The apparent slowdown in productivity growth is widespread. It is common to both industry and services and to most Member States. As yet, the reason for the slowdown is unclear, although the fact that it is so general may mean that it results from, or is at least related to, some general feature of the economy and labour market — such as the unusually high levels of unemployment which persisted in this

period. This may have resulted in a more labour-intensive Community economy as firms adopted more labour-using techniques at the same time as more people were prepared to work for relatively low rates of pay.

Virtually all the additional jobs created between 1985 and 1990 were in services. Agricultural employment continued to decline, and while employment in industry increased, it did so by very little, and all of that was in building and construction. Overall, the recent past has been in line with the trends of the past 25 years when the proportion of employment in services has grown continuously in the Community as a whole, from 42% in 1965 to over 62% in 1989, while the share of the workforce employed in agriculture and industry has fallen — in the latter, from 41% in 1965 to under 32% in 1989.

In this, the Community is in line with other developed parts of the World — the US, Japan and the rest of Europe — all of which have experienced shifts in the sectoral distribution of employment on a similar scale.

While all Member States have experienced a similar pattern of change, and while the share of employment in services tends to increase with the level of income per head, the trend in Germany has been somewhat different. There, the proportion employed in industry — at over 40% — is by far the highest in the Community, or indeed in the developed World as a whole, and has tended to fall only slowly over time.

The numbers of self-employed have increased in the Community since 1979, by over 2 million, to total around 21 million in 1989 or 16% of

total employment. However, since the increase was only marginally more than the rise in employment, the relative importance of self-employment increased only slightly over this period. Only in the UK was there any marked growth in the share of the self-employed in total employment.

The importance of self-employment tends to be much greater in the less developed parts of the Community, in Greece and Portugal, in particular, where in 1989, it accounted for a third and a quarter of employment, respectively.

A high proportion of the jobs created between 1985 and 1990 — around two-thirds — were taken by women rather than men, and a significant proportion of these new jobs — around 30% — were part-time rather than full-time. This trend towards part-time is not common to all Member States, however, and the general level of part-time working varies a great deal, being much more common in the Northern parts of the Community than in the South.

Sectoral employment problems

With the change in economic climate over the past year, the possible employment consequences of structural changes in certain industries have become much more apparent. Three industries in particular are considered in the Report: the defence industry, the automobile industry, and the textile, leather and clothing industries.

The defence industries face the possibility of major reductions in output as government defence budgets are cut in response to improved relations with the Eastern bloc and

as possible restrictions are imposed on exports to third World countries. These industries employ around 1.5 million people in the Community and 1 million in the UK and France alone, equivalent to 9–11% of the manufacturing workforce, many of the jobs being concentrated in a few regions.

A high proportion of the defence workforce consists of scientists and engineers, who in the UK and France work in many thousands of small companies. In both countries, moreover, a high proportion of total R & D expenditure is on defence-related activities. Redeployment of both activities and employment poses difficulties because of the large number of firms involved and their lack of experience in civil markets.

The automobile industry, which employs around 3 million people in assembly and component manufacturing, is currently in recession. Moreover, it faces increasing external competition and pressures to produce more 'environmentally friendly' vehicles. Productivity in European plants lags behind that in Japan and the US. Substantial restructuring is probable over the next few years, which could significantly affect the number of jobs, their location and skill content. Several existing assembly plants are located in Community designated Objective 1 or 2 areas.

The textile, clothing and footwear industries, which provide around 3.5 million jobs, have already experienced extensive restructuring and incurred significant job losses over the past decade or more. The long-term future of the Community industries are seen to lie in further developing the high value-added, quality end of their markets. However, in many parts of the less

developed parts of the Community — notably Portugal, but also Greece and parts of Spain and Italy — the textiles industry is more exposed to mainstream competition from countries outside the Community. Further restructuring is clearly required if employment is not to fall further.

The Problem of Persistent Unemployment

Unemployment remains a major problem for the Community, despite the employment creation of the past five years, as described in Chapter 3. In mid-1991, there were some 12 million people unemployed in the Community as a whole, equivalent to 8.7% of the labour force. Despite their much lower participation in the workforce, more women were unemployed than men, and the unemployment rate for women was around double the rate for men in the majority of Member States. The UK is the only Community country where the rate for women is less than that for men.

The rate of unemployment among young people, those aged under 25, currently at around 16%, is over twice the rate for other age-groups, despite the fact that it had declined considerably over the period 1985 to 1990. Although there are many fewer young people of working-age than there was in the early 1980s, when youth unemployment rose dramatically, slow growth is still likely to affect young people disproportionately as the rate of creation of new jobs declines and as employees leaving jobs, or retiring, are not replaced.

Around half of all those unemployed in 1989 (the latest year for which

comparable data are available) had been out of work for a year or more. The proportion of long-term unemployed was about the same as five years previously, despite the many government programmes launched over the intervening period to tackle the problem and despite the support of the Community's European Social Fund.

A notable feature of these labour market developments has been that a high proportion of the people who became unemployed in 1989 had previously been recorded as inactive, rather than employed. This suggests that the relatively favourable employment prospects at that time had encouraged people to start seeking work. It also implies that for these people there is no clear-cut distinction between being unemployed and being inactive.

The attitudes and aspirations of women regarding employment and the labour market are likely to be particularly affected by the types of jobs potentially available. Thus the evidence that, in 1989, 25% of all women and 40% of married women were looking for part-time rather than full-time employment needs to be taken into account in assessing the scale of the Community's employment objectives, and the extent to which they are being fulfilled.

Another significant finding from the second half of the 1980s is the apparently close association between the employment experiences of husbands and wives within a household. It appears that there is a much greater chance of the wife being employed if the husband is in work and, conversely, a much greater chance of her being unemployed if her husband is also without a job. It is not clear whether this is more, or less, related to the

characteristics of the people concerned (notably their educational attainment and skills), the state of the local labour market, or other factors. However, it does seem to cast doubt on the commonly-held view that women often go out to work if their husbands become unemployed in order to partly make up the loss of earnings.

European Integration and Regional Labour Markets

There is rather firm evidence, presented in Chapter 4, of a convergence in levels of income per head of population between the less developed Member States and the rest of the Community between 1985 and 1990. Encouraging as this is, it does not negate the fact that, because it followed ten years of divergence between 1975 and 1985, the gap in average real income per head of population between the two groups of countries remains significant, and is almost as wide now as it was 25 years ago.

Employment conditions vary considerably across the Community in terms of levels of unemployment and, equally importantly, levels of employment. The less developed regions — those qualifying for assistance under Objective 1 of the Structural Funds — tend to have both higher rates of unemployment and lower rates of employment (measured in relation to working-age population) than the rest of the Community. This seems to indicate that the potential labour supply in these areas is much larger than the rate of unemployment would suggest and that the problem of providing employment is, therefore, correspondingly greater.

In the period of high employment creation in the Community between 1985 and 1989, employment in the less developed regions expanded by slightly less than in the rest of the Community. Since the growth of working-age population over the period was relatively higher in the less-developed regions, the problem of unemployment, as well as of inactivity, worsened in these areas compared with other regions.

The sectoral distribution of employment is very different between the less developed regions and the rest of the Community. Employment in agriculture is much higher — around 19% of the total in 1989 — in the former than elsewhere, while the proportion of employment in industry and services is correspondingly lower. Although the less developed regions succeeded in generating a significantly higher rate of job creation in industry and services than in other areas, the fact that job losses in agriculture were also proportionately more important meant that overall employment rose by less. Indeed, because of the large numbers still employed in agriculture, industry and services together have to provide four times as many additional jobs in the less developed regions as compared with elsewhere in the Community in order to compensate for the same proportionate decline in agricultural employment.

The migration of workers from one part of the Community to another has been modest in the recent past. In the Community as a whole, the proportion of population of the Member States accounted for by nationals of other Community countries amounted to less than 2% in 1989. A much larger proportion of such immigrants work in industry, over 45%, than is the case for the indigenous population with

smaller proportions in both services and agriculture. This may partly reflect the relatively high proportion of manual workers among the immigrant population and their greater difficulty in obtaining work in services because of language.

Language difficulties, combined with cultural and social obstacles, are likely to keep movements of labour between countries relatively small even after formal barriers to mobility are fully removed as part of the 1992 programme. This means that large-scale migration of labour from one part of the Community to another cannot be seen as a realistic solution to problems of slow growth and inadequate employment creation in particular regions, even if such movements were considered socially acceptable.

Decline and Diversification of Employment in Agriculture:

Agricultural employment, discussed in Chapter 5, has declined by an average of 2.8% a year since 1960. The sector, nevertheless, accounts for a significant proportion of jobs and incomes in many rural areas — many of which are likely to face continuing decline, possibly at an accelerating rate. This raises wide ranging concerns about the future of rural economies.

The agricultural workforce is quite unlike any other in the Community. Over half the people working are self-employed and 20% are family workers. Only around a quarter of the workforce are paid employees, although this proportion is much higher in the North of the Community than it is in the South.

The average age of the workforce is far higher than in industry or services — over 30% are aged over 55. The average age of farmers (those who own or rent holdings) is higher still, with half older than 55 years, and half of them having no successor. This implies a high potential degree of natural decline in both employment and the number of farm units, particularly in Southern areas of the Community.

Despite the many attempts at restructuring the Community industry, there are still over 8.5 million individual agricultural holdings, the average size of which — at just over 13 hectares — was only slightly larger in 1987 than it had been in 1970. The average size of unit, however, varies enormously across the Community, from only 4 hectares in Greece and 5 hectares in Italy and Portugal to over 30 in Denmark and over 60 in the UK. Only in the UK, the Paris region in France and parts of the Netherlands are farms large enough on average to support more than two full-time workers.

Farming remains a highly labour-intensive activity, although the degree varies considerably from one part of the Community to another, with the average number of workers per 100 hectares ranging from 22 in Greece to just 3 in the UK. The productivity tends to be much higher in the Northern and Central areas of the Community than in the South, reflecting the larger size of farm. Average net income per worker is 10 times higher in the UK than in Portugal and 6 times higher than in Greece.

Because of the large number of small holdings, many farmers — on average 30% — supplement their income from other activities. Nevertheless, the importance of such

activities is relatively low in Southern regions of the Community, despite the small average size of holding, and a great many holders work only part-time on the farm but have no other source of income. Underemployment, or concealed unemployment, is therefore rife.

Solutions to the problem of rural development — or under-development — are being sought in ways which meet the specific circumstances of different types of areas. Thus some actions may include developing rural regions as areas of recreation and leisure activities for those who live in towns, or as simply places to visit, while others seek to create lasting employment opportunities outside agriculture to match the needs and skills of the local people. Emphasis in rural development strategy has moved away from the traditional approach of seeking to attract industries from outside — which has often proved a costly policy in both financial and ecological terms, and not particularly successful in creating long-term jobs. Newer approaches seek to exploit, and develop, local amenities and resources and to strengthen basic infrastructure, while retaining the essential character of the rural area.

A Decade of Change in Industrial Employment

Although employment growth has been predominantly in the service sector, manufacturing is of key importance in generating income which, directly or indirectly, sustains much of the employment in services. Manufacturing is still responsible for the major proportion of net export earnings in the Community and the location of dynamic,

high value-added activities is a significant determinant of regional economic strength and prosperity. Conversely, a high concentration of old, declining industries is a potent source of wider economic and employment problems.

Employment in manufacturing, as described in Chapter 6, is very unevenly distributed across the Community, accounting for over 40% of jobs in many parts of Southern Germany and Northern Italy, for example, but for less than 25% of jobs in many areas of Southern Europe. Few areas, however, experienced any growth of employment in industry between 1980 and 1987; instead there were large job losses in most parts of the Community, especially in the UK and Spain where manufacturing employment declined by over 25%.

The fastest growing sectors in the 1980s were predominantly high value-added, high-tech, capital-intensive industries such as office machinery, while the slowly growing or declining sectors tended to be the old heavy industries, like steel, or labour-intensive industries such as clothing and footwear. In a number of Northern Member States, such as Germany and the Netherlands, a relatively high proportion of value-added and employment in manufacturing is accounted for by the high-growth sectors. In the Southern countries — Spain, Portugal and Greece, as well as Italy — the proportion is less, and low-growth sectors are more important.

Germany was responsible for a high proportion — over 35% — of both total value-added and employment in high-growth manufacturing industries in the Community in 1987, around twice the share of any other Member State, whereas its share of low-growth manufacturing activity

was less than 20% of the Community's total.

Virtually all countries experienced a fall in employment in almost all manufacturing industries between 1980 and 1987. In the UK and Spain, the fall in employment was over 20%. In the UK this was even true for the high-growth sectors.

Both the level and growth of value-added per employee tends to be consistently higher in high-growth than in low- or medium-growth sectors in most Member States across the Community. There is also some systematic tendency for countries with a relatively high level of value-added per employee, or productivity, in high-growth sectors also to have a similarly high level in other industries. Broadly the same is true of the relative growth of productivity over the period 1980 to 1987.

Average labour costs per employee are closely related to the level of productivity across the Community. Both are much higher in the Northern countries like Germany or the Netherlands than in the Southern countries like Portugal or Greece. They also vary systematically across industries, with both average labour costs and productivity higher in high-growth industries than other parts of manufacturing. Again this is also true of the growth in labour costs and productivity over time. As a result, unit labour costs are no higher in high wage sectors than elsewhere — indeed they tend to be lower — and, between 1980 and 1987, they fell fairly consistently by more in industries where the growth of average wages — or labour costs — was highest.

Skill Shortages: A Growing Problem in the Community?

There is widespread and growing concern in the Community about the skill levels of its workforce. To remain competitive, Community producers are obliged to adapt their products and processes to new technological developments, which are occurring at an increasingly rapid rate as barriers to the international diffusion of innovations are reduced. As discussed in Chapter 7, this means having a workforce with the education and training required to handle new and constantly changing techniques.

The extent of skill shortages and their effect on the competitiveness of Community products are, however, hard to judge, not least because the skills of individuals are closely bound up with the capital equipment they are using and the way the production process is organised. The evidence of business surveys suggests that skill shortages have become more acute since the mid-1980s in most parts of the Community. Since however this was a period of economic recovery and tightening labour markets, it is hard to disentangle short-term, temporary problems from longer-term structural ones, though there is evidence of growing problems in the UK and France in particular. There is also evidence that small firms find it more difficult to recruit skilled labour than large ones especially during periods of high growth. Regional studies carried out by the Commission indicate that shortages of particular skills in both manufacturing and services are found in most parts of Europe.

Projections of employment needs all indicate a growing demand for

scientific and technical skills and a declining demand for unskilled workers. The results, however, are so general that it is hard to relate them to the future supply of skills from educational and training establishments. Nevertheless it is clear that the provision of a high level of general education is a prerequisite for increasing the capacity of the workforce to adapt to new skill requirements quickly and flexibly. In this respect the significant expansion both of secondary and higher education in the Community over the past 20 years is encouraging. However, though most Member States have shared in this expansion, differences between countries in educational provision remain large.

So far as training is concerned, lack of reliable data makes it difficult to discern the scale of current efforts. The Community's Labour Force Survey, however, throws some limited light on this. It reveals that while training activities increased in most Member States during the 1980s, most training is carried out without Government support. Moreover, in most countries, publicly financed training is directed more towards the unemployed than those in work.

Imbalances in the scale of training across the Community are considerable. The proportion of people receiving training in 1989 was generally lower in the South of the Community than the North, varying from under 2% in Greece to over 15% in the Netherlands and Denmark. 10% of the unemployed in the Community as a whole were receiving training when surveyed in 1989, although in the Netherlands the figure was 30% and in Denmark and Germany 15–20%. In Greece, Ireland, Portugal and Belgium, it was under 5%.

20% of all labour market training takes place within companies. This is more prevalent in the service sector, particularly in business and public services, than in manufacturing. To some degree, adult training can be regarded as compensating for deficiencies in the initial education and training system which failed to provide people with the required skills. This might explain the relatively low level of continuous on-the-job training in Germany where the dual system gives young people a range of skills before they begin full-time work.

National government regulation of training varies markedly between Member States, with compulsory levy/grant schemes operating in France and Ireland. In both countries, however, the level of training is around the Community average. In the Netherlands and Germany as well as France, regulation is through collective bargaining and the funds made available seem to have boosted training in the Netherlands at least.

Two broad approaches to government-supported training can be identified; a compensatory approach which concentrates resources and efforts on disadvantaged groups and a preventive approach which aims to upgrade the skills of the workforce generally. Spain and Greece tend to follow the first approach, Denmark and to a lesser extent the Netherlands, Belgium and Ireland the second.

Community Action to Promote the Employment of Women

Women played an increasingly important role in the labour market in

the Community throughout the 1980s. Women's employment increased at twice the rate for men between 1985 and 1990, yet the proportion of women of working-age in employment is still under 50% as against 75% for men and is considerably lower than this in many parts of Southern Europe. Many barriers remain preventing women having the same access to jobs as men and it is up to employers, trade unions, public policy makers at local, regional and national level and educational and training agencies to rectify this situation.

The principle of equal opportunity is enshrined in the European Community's Treaty and seeks to ensure that men and women are treated equally in terms of both pay and employment. Over the past three decades, a series of action programmes and other activities have been undertaken at Community level in support of, and in addition to, widespread action at national level. The supplement addresses these issues.

A Council Resolution on a Social Action Programme was adopted in 1974 and led to measures aimed at achieving equal pay for equal work, equal access to employment and training and equal working conditions. From 1977 onwards, the Social Fund began financing training programmes for women. In 1982, the Commission's First Equal Opportunities Action Programme was initiated for the period up to 1986 and aimed at improving the rights of individual women in areas of social security, family leave, protective legislation, self-employment and agriculture. The Second Action Programme covering the period 1986 to 1990 included measures in areas such as the law, new technologies, the sharing of family responsibilities and creating in-

creased awareness of women's rights.

At the same time, equality in law has been pursued, and reinforced, by a series of Community directives which, together with the case law developed by the European Court of Justice, have provided the legal foundation for extensive changes in attitude, in labour market practices and in the development of individual women's rights in areas such as social security. The present intention is to ensure that existing Community law is more rigorously applied and monitored.

The Third Action Programme on Equal Opportunities began in January 1991 and will run to the end of 1994. A fundamental principle is to strengthen partnership between all the bodies concerned — the Commission, the Member States, both sides of industry and local and regional authorities. Its basic aims are to consolidate what has already been achieved and to develop new schemes to help

women in vocational training and employment as an integral part of Community policies and programmes. It emphasises that improving the integration of women in the labour market is an essential part of economic and social cohesion in the Community.

The quality of the work done by women is a key focal point. The kind of jobs open to women depends in large measure on the training they are able to receive. The NOW programme, which is financed through the Structural Funds and is part of the Third Action Programme, provides funds for the vocational training of women, support for small businesses and labour market advice.

The Third Programme also aims to strengthen the integration of women in the labour market by supporting measures for reconciling working life and family responsibilities, such as increased provision for childcare facilities, which is a significant obstacle to women's access to jobs.

Part I Employment Prospects

Chapter 1 Employment in the Community

Chapter 2 Short-Term Outlook

Chapter 3 The Complex Problem of Persistent Unemployment



Chapter 1 Employment in the Community

The rapid rate of employment growth since the mid-1980s has come to an end and unemployment has started to rise again in parts of the Community. A number of industries are experiencing particular difficulties requiring specific action.

Introduction

From 1985 through to early 1990, employment in the Community increased at a faster rate than at any time since the 1950s. However, the fall in unemployment which accompanied it was much less and, by the beginning of 1991, unemployment had begun to rise once again as employment growth slowed. This increase in unemployment is expected to continue throughout the year and into 1992 (see Chapter 2).

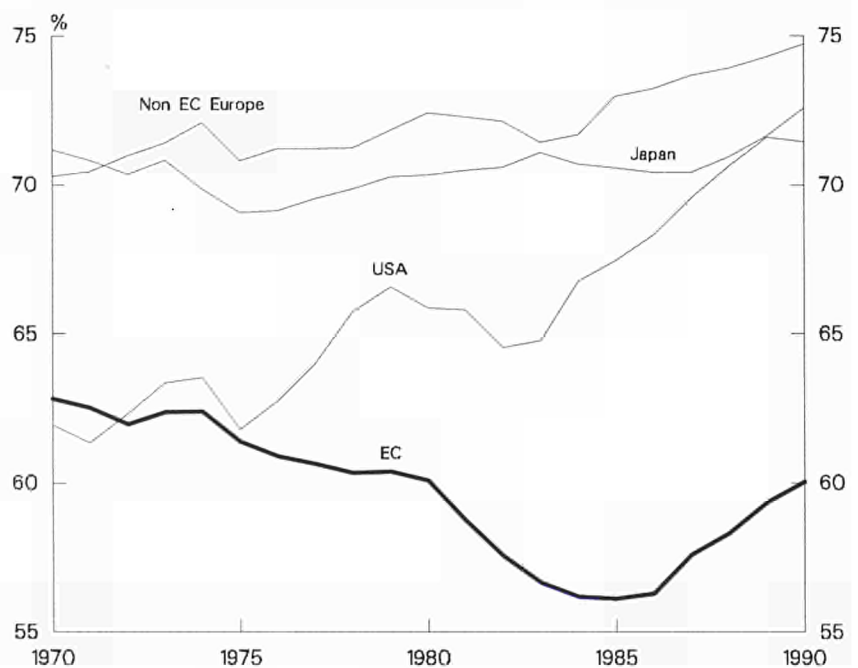
The increases in unemployment in recent months have been felt on the labour market in the 'normal' way — particularly affecting those seeking to enter the labour market, or those recently arrived, such as young people and women. However, these increases in unemployment have also been associated with economic difficulties in specific industries, notably in the manufacturing sector, with the automobile and defence industries being particularly affected. Coupled with existing concerns for employment in more traditional industrial sectors, such as textiles and clothing, it adds up to a much more sober picture of the Community labour market than that which was apparent a year ago.

While the Community is forecast to return to stronger economic and employment growth beyond 1992, the fact that unemployment has bottomed out at 8.3%, or 12 million people, gives rise to concern about the Community's capacity to fulfil its fundamental employment objectives, and implies a need to focus increased attention on these deep-

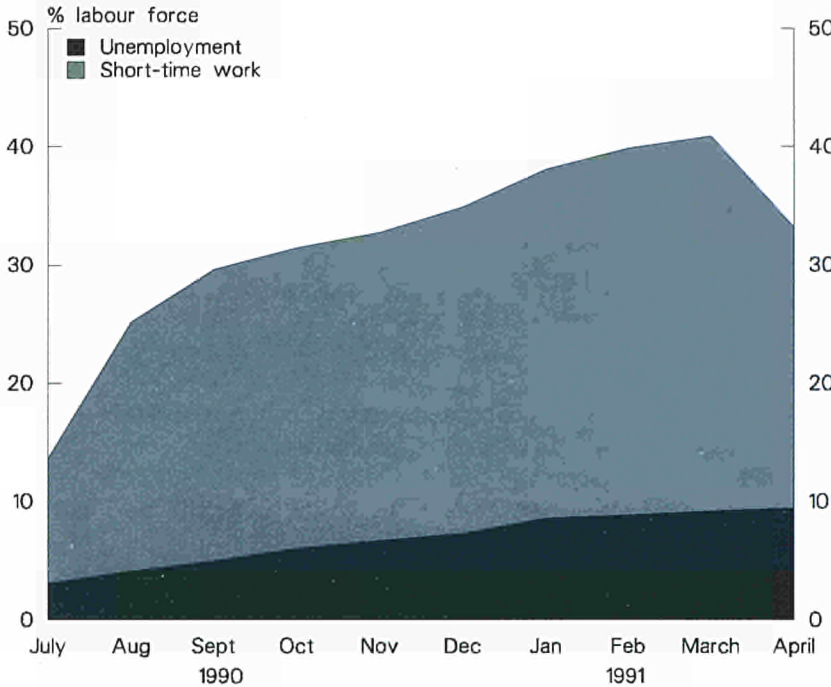
seated economic and labour market problems.

In effect, over the period 1985 to 1990, only around 30% of net additional jobs were filled by people previously recorded as unemployed. The remaining 70% of jobs were filled by people previously recorded as inactive. If future em-

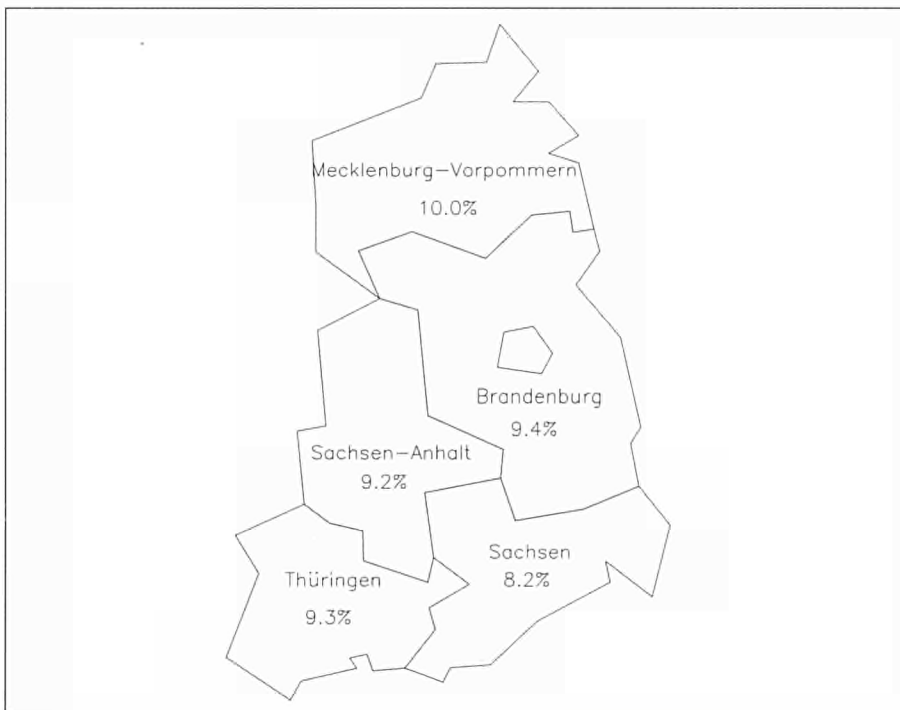
1 Share of working-age population in employment in the Community and elsewhere 1965–90



2 Recent increase in unemployment and short-time working in the five new German Länder 1990/91



3 Unemployment rates in the five new German Länder April 1991



ployment growth had a similar effect in attracting new entrants — and there is no reason to suppose that it will not — then, in order to achieve, say, a 50% reduction in the rate of unemployment in the Community from its present average level to around 4% (the rate prevailing in the low unemployment regions), an increase in employment of 12–15% would be required — in other words, 15–20 million extra jobs.

Opportunities and Challenges

The opportunities for growth and employment creation offered by the completion of the Internal Market and the eventual unification of monetary policy, on the one hand, and by the liberalisation of the Central and Eastern European economies, on the other, remain real and substantial. The developments in recent months, however, will have dispelled any illusions that securing the potential benefits will be easy or painless.

Coming on top of the slow-down in domestic growth, the conflict in the Gulf has brought home the vulnerability of the Community to political and economic stability in the Middle East, which is both a key source of energy to Western Europe, and a major market for Community producers.

Declining production, and the emergence of significant unemployment in many Central and Eastern European countries are potent reminders of the scale of the problems which these countries have to overcome in making the transition from centrally planned economies, isolated from the outside world, to open market economies which have to survive in world markets.

The experience since unification in what was East Germany is not fully comparable. Nevertheless it is an example of the difficulties involved in such a transition. There, in what was one of the most advanced economies in the Eastern bloc, and despite enormous German Government assistance, output has fallen markedly over the past six months and unemployment has risen sharply (see Box).

The instability and economic problems besetting countries to the East and South of the Community are a serious potential obstacle to the Community being able to achieve sustained economic growth and high rates of employment creation in the 1990s. Further afield, the US economy is in recession and, although this may prove short-lived, its capacity to act as an engine of growth for the world economy is severely restricted.

Employment Performance

A general indicator of an economy's success or failure in providing employment for the people who live there is the employment rate — the ratio of the total numbers in work to the population of working-age (those aged between 15 and 64).

This employment rate has increased steadily in the Community since 1984, after having fallen continuously over the preceding 11 years. By 1990, the proportion reached 60%. That was, however, still well below the level in the rest of Western Europe, the US and Japan, where employment amounts to 72–75% of working-age population (Graph 1).

Despite the employment growth of the past six years, therefore, the

Labour Market Developments in East Germany

Since monetary union on 1 July 1990, output in the five new Länder of Germany and East Berlin has fallen dramatically, and unemployment has risen sharply. Some of the impact has been cushioned, however, by schemes introduced by the Treuhand agency (which is in charge of restructuring and privatising State-owned enterprises). These include specific actions to tackle labour market adjustment problems.

Unemployment benefits have been introduced and, under a programme managed by the Federal Labour Office, payments have been made to workers on short-time working. The Office pays 75% of previous net wages for a full week, and supplementary payments by firms in key industries can increase the amount to 95%.

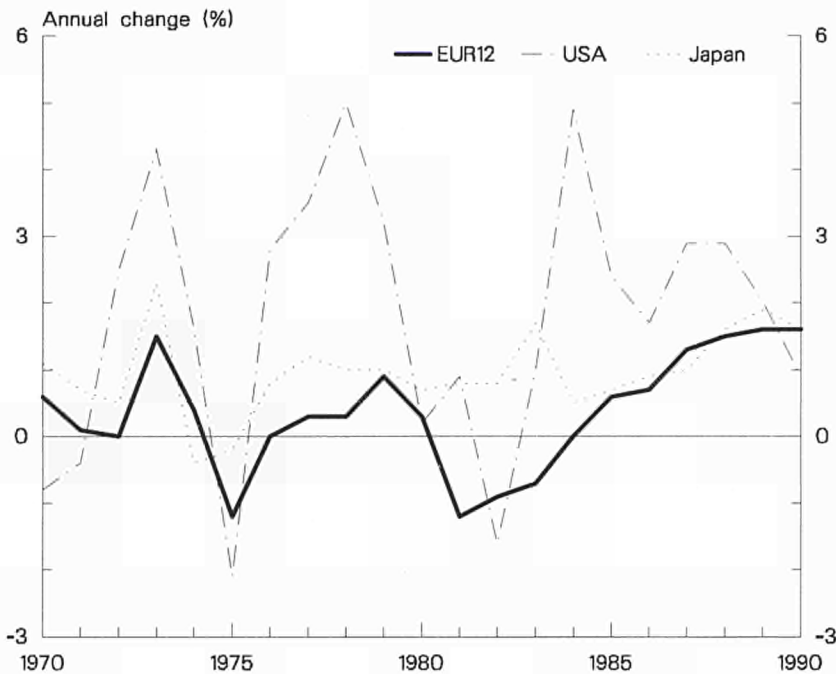
Labour market decline has been rapid, however, and the number of registered unemployed has increased from 272,000 in July 1990 to 873,000 in April 1991, of which 82% receive an unemployment allowance. On top of this, the number of workers on short-time increased from 656,000 to 2,018,000. Unemployment and short-time working together account for almost a third of the total labour force. Of the unemployed, 44% are male, 56% female.

As part of the programme to tackle unemployment and other labour market problems, early retirement schemes have been introduced. By end March 1991, over 400,000 workers aged 57 or over had taken advantage of the scheme, and another 200,000 are now eligible following legislation reducing the age limit to 55. Retraining programmes, on the other hand, have been less successful with 85,000 participants by end April 1991. East-to-West commuting of the order of 250,000 reduces pressures on the labour market in the East, as does the estimated 20,000 emigration a month.

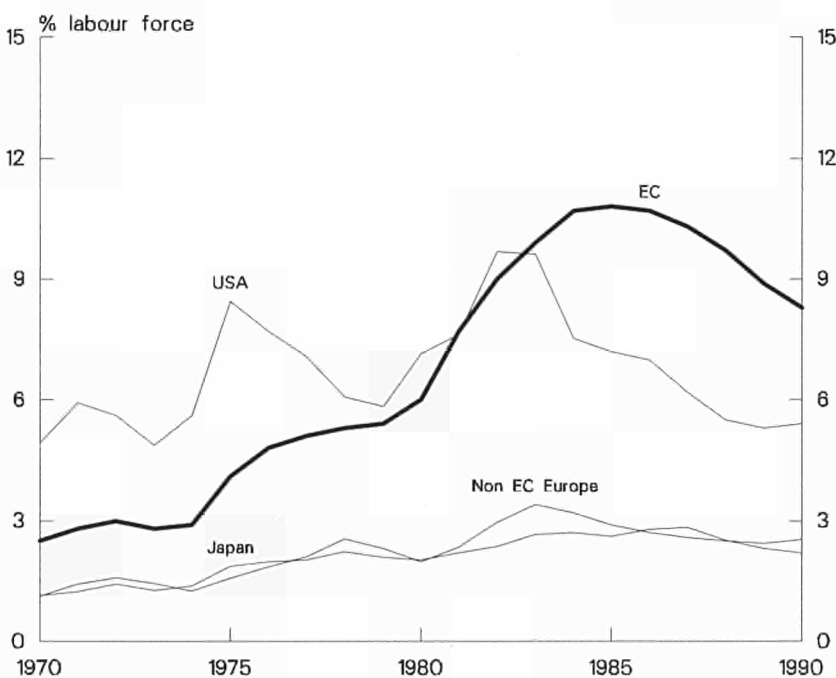
The five new Länder face similar levels of unemployment, but their industrial and labour market difficulties are as varied as in other parts of the Community. While Mecklenburg-Vorpommern has 20% of its labour force in agriculture (mostly in collective farms), Sachsen-Anhalt has only 7% in agriculture and nearly 44% in industry. Brandenburg has Berlin at its centre, but it is nevertheless the second most rural region of the former GDR with 15% of the labour force in agriculture.

Despite the short-term difficulties being faced, institutional integration is proceeding rapidly with a view to creating a common German labour market. Trade union structures are now in place in the East, either as extensions of Western trade unions or as partnerships between the West and new Eastern trade unions, and are seeking early convergence of wages. The metal workers trade union, I. G. Metall, for example, has set a target date of 1994.

4 Long-term trends in employment growth in the Community, USA and Japan 1970-90



5 Unemployment rates in the Community and elsewhere 1970-90



Community is the only developed part of the world where the employment ratio in 1990 was below the level of 1970.

The bright spot in these international comparisons is that the Community has been moving strongly in the right direction. Since the mid-1980s, the Community has succeeded both in raising the employment/working-age population ratio, and in reducing unemployment, by more than Japan or the rest of Western Europe.

Putting this recent performance in historical and international perspective, the years 1987 to 1990 were the only ones since 1970, (apart from 1973) when employment in the Community grew by more than 1% a year. The last four years were also the only period over the past two decades when the Community's record on job creation was anywhere near comparable with that of the US or Japan. Between 1971 and 1987, there were only two years (1975 and 1982) when the rise in employment in the Community was higher than in the US and only one year (1974), when it was higher than in Japan (Graph 4).

Unemployment Trends

Unemployment in the Community has fallen since 1986 by more than in the US, Japan or the rest of Western Europe, after increasing by substantially more than these countries between the mid-1970s and the mid-1980s (Graph 5). Nevertheless, at the end of 1990, despite the historically high rate of employment growth, unemployment at just over 8% of the labour force was still significantly higher in the Community than elsewhere. In the US,

the unemployment rate was around 5%, while in Japan and the rest of Western Europe, it was under 3%.

The decline in unemployment in the Community which started in 1985 and went on almost continuously from then until the last few months of 1990 has, however, now come to an end, at least temporarily. In the Community as a whole, unemployment has gone up since November 1990 from 8.3% to 8.7% in May 1991. An additional 600 thousand have therefore become unemployed in just six months. Equally disturbingly, the latest short-term forecasts project continuing increases in unemployment for the remainder of this year and into 1992 (see Chapter 2).

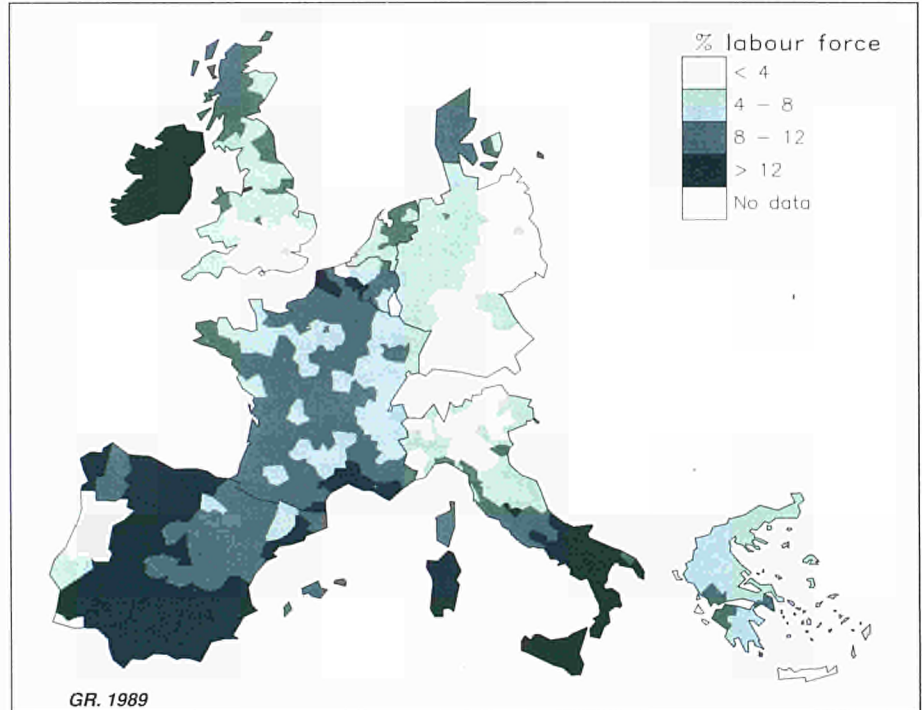
So far, however, the rise in unemployment has been concentrated in certain Member States — Belgium, France, Greece, Ireland and most especially the UK where the numbers out of work are going up rapidly. Elsewhere, unemployment has not changed much or has continued to fall.

However, unemployment remains very unevenly spread within the Community, with many areas experiencing persistent high levels. In 1990, in large parts of Spain, Southern Italy, Ireland, both North and South of the border, and the extreme South of France the rate of unemployment exceeded 12%, and in some cases 15%. By contrast, it was below 4% in Southern Germany, Northern Italy and the South of England (Map 6).

Over half of the unemployed in the Community have been out of work for a year or more. In general, areas of the Community where total unemployment is high also have high rates of long-term unemployment. In both parts of Ireland and in many

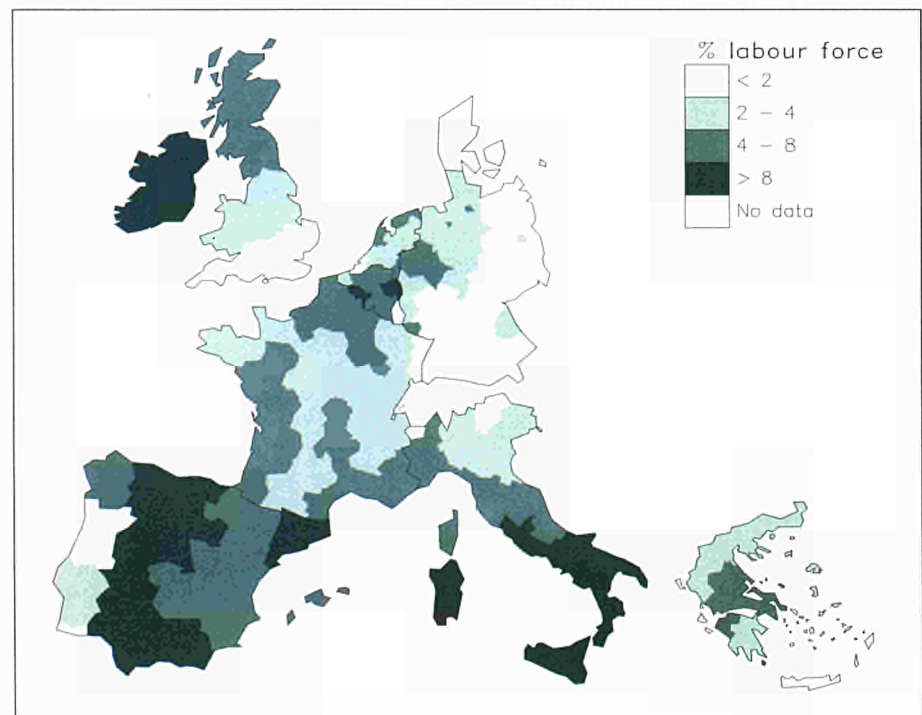
6 Unemployment rates

1990



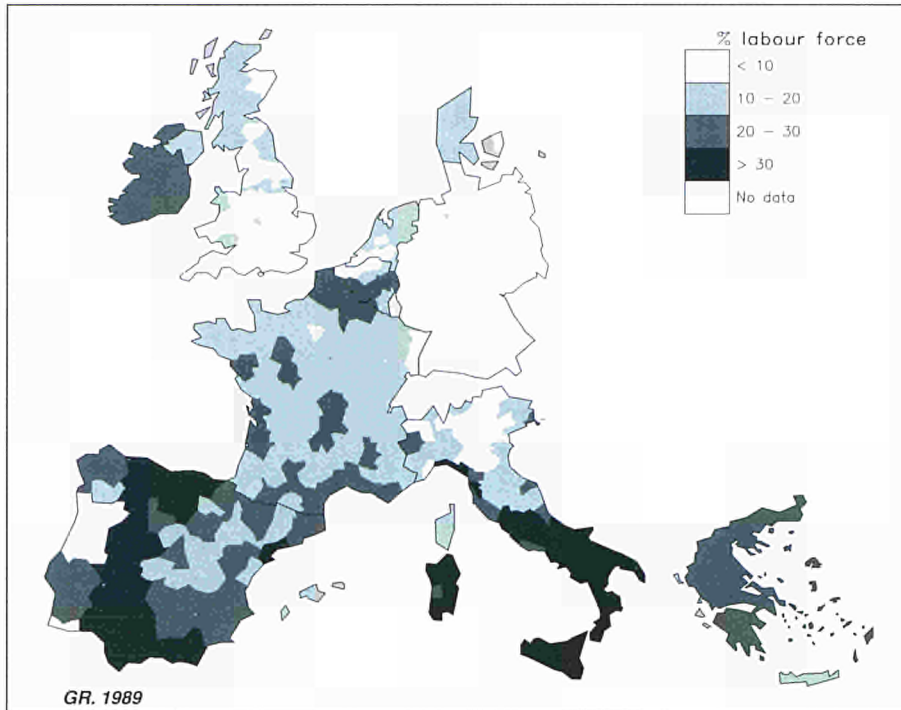
7 Long-term unemployment rates

1989



8 Youth unemployment rates

1990

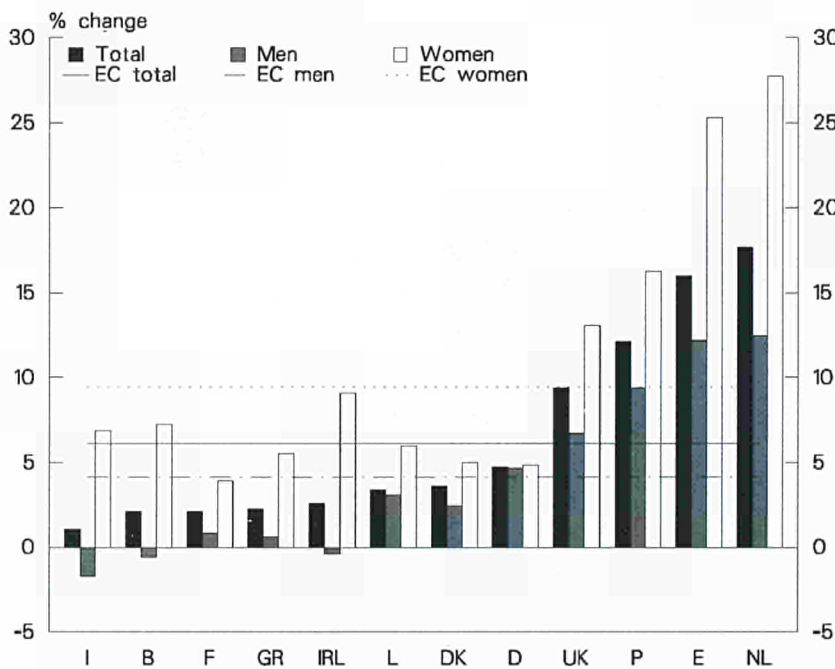


regions of Spain and Southern Italy, people who had been unemployed for at least a year amounted to over 8% of the labour force in 1989. In low unemployment areas — Southern Germany and the South of England, for example — the figure was less than 2% (Map 7).

Women are particularly affected by unemployment, with unemployment rates higher than those of men in all Community countries, except the UK. The disparity between unemployment rates of women and men is particularly marked in the Mediterranean countries of Spain, Portugal, Greece and Italy where women's unemployment rates are double, or more, those of men (see Chapter 3).

In most parts of the Community, and especially in the South, unemployment remains disproportionately concentrated among young people under 25 years old. These accounted for around 35% of the total numbers unemployed across the Community and for over 30% of the long-term unemployed. In the high unemployment regions of Spain and Southern Italy, the rate of unemployment among young people in many cases exceeded 30% in 1990 (Map 8).

9 Changes in total employment of men and women in the Member States 1985-89



Employment Growth 1985 to 1990

While the employment growth between 1985 and 1990 was experienced by all Member States there was considerable variation in that growth, especially as regards the shares taken by men and women (Graph 9). The increase in total employment was particularly striking in four Member States, with rises of 10% and more in the UK, Portugal, Spain and the Netherlands. These four together

accounted for over 70% of the rise in employment in the Community over the period. (The figures used here are from the Community Labour Force Survey and may differ slightly from national sources.)

Employment of women grew at twice the rate of that of men over these four years — 9% as against 4% for men. Only in Germany was the difference minimal. The difference was most extreme in Italy, Belgium and Ireland where male employment actually declined as female employment increased by between 7% and 9%. Overall, women's employment grew least in France at 4% and most in Spain and in the Netherlands at over 25% (although in the Netherlands a high proportion of the additional jobs were part-time).

Changes in Unemployment, 1985 to 1990

The substantial growth in employment between 1985 and 1990 — a net addition of over 9 million jobs — had a much more modest effect on unemployment, which fell by only 3 million — from the high of 15 million at the beginning of the period to just under 12 million (Graph 10).

Most of this reduction was accounted for by a fall in unemployment among men, of 2.4 million over these five years. By contrast, the number of women recorded as unemployed declined by only 600 thousand. This relatively small decline, however, was associated with a larger fall in the rate of unemployment for women expressed

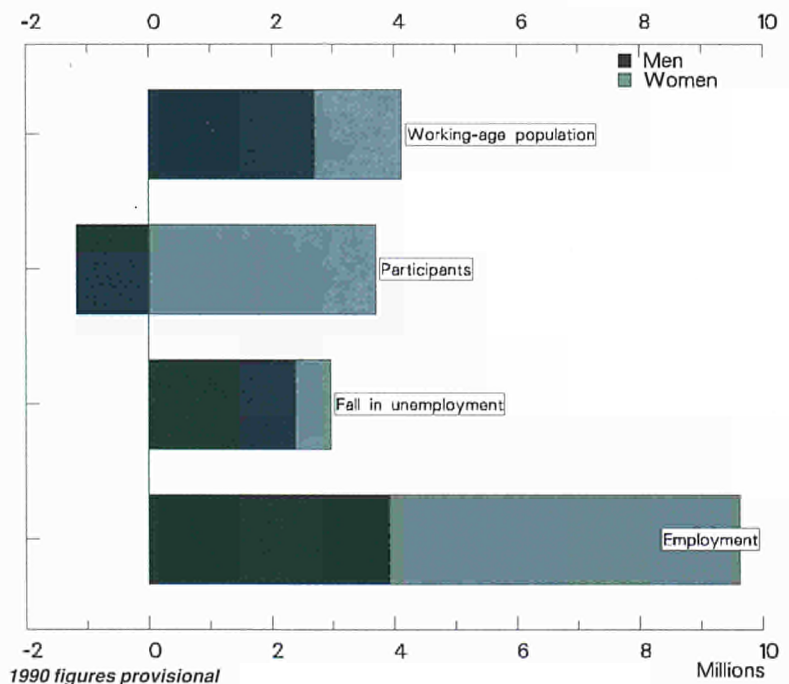
in relation to the female labour force, of 2%, since the latter increased by 10% over this period.

The overall fall in unemployment between 1985 and 1990 was not common to all Member States. In Italy and Denmark, the average rate increased slightly over this period. Moreover there was no systematic relationship between the net addition to jobs and the change in unemployment. In particular, in the Netherlands, the numbers employed increased by more than anywhere else in the Community, yet unemployment declined only slightly and the number of women unemployed went up. By contrast, in Belgium unemployment fell by more than average, yet the rise in employment was among the lowest in the Community.

Hidden labour supply

Clearly the modest fall in unemployment in the Community, as well as the marked difference in experience as between countries, reflects the fact that most of the additional jobs created between 1985 and 1990 were not filled by those recorded as unemployed. Instead they were filled by young people looking for a job for the first time and by people who were not officially counted as available for employment — the so-called inactive section of the population. It is the substantial numbers in this latter category, almost 50% of working-age population in the case of women, who in practice constitute a permanent, if hidden, pool of labour from which a large proportion of positions are filled whenever the demand for labour increases.

10 Changes in employment, unemployment, participation and working-age population by sex 1985-90



This labour reserve is substantially bigger in the Community than in other comparable countries, as reflected in the much lower ratio of employment to working-age population here than elsewhere. Thus in practice differences in official rates of unemployment, even though standardised to be comparable, account for less than half the difference in the employment rate between the Community and other industrialised parts of the world. The major part of the difference arises from the much lower participation rate of people of working-age in the labour force, especially women.

Of the net addition to jobs created between 1985 and 1990, around 30% were effectively filled by people moving out of unemployment, nearly 45% by young people coming onto the labour market for the first time (i.e. by an increase in young people

coming of working age relative to people reaching 65) and the remaining 25% by people who had previously been recorded as inactive (Graph 10). In practice, therefore, this latter group was responsible for around 2.5 million of the net increase in employment.

More than all of this increase in participation in employment over these five years was accounted for by women. Almost 4 million women moved into employment in this period after previously being counted as inactive. As against this, almost 1 million men moved from being employed to being inactive, so effectively disappearing from the labour market.

The low employment rate in the Community is explored further in Chapters 3 and 4 of this Report, which also contain a more detailed examination of unemployment, at a

Community, Member State and regional level.

Structural Employment Issues

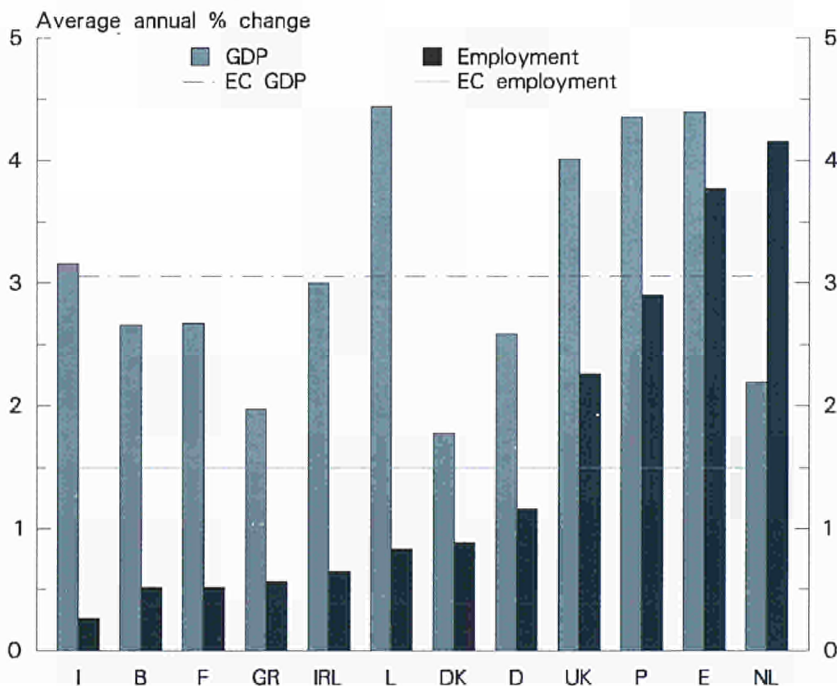
While the employment prospects in the Community will depend to a large extent on the overall rate of economic growth achieved in the Community and elsewhere, there are a number of other structural changes which could affect it into the 1990s, even if stronger growth is re-established. These include:

- the relationship between employment and output growth — a relationship which seems to have changed significantly in the second half of the 1980s;
- shifts in employment between broad sectors of activity with, in particular, the continued growth of services relative to industry and agriculture;
- particular employment problems currently occurring in certain sectors;
- the growth of self-employment — which has been associated, to some extent, with the growth of services and the persistence of unemployment in the 1980s — and the growth in part-time employment.

Employment growth and output growth in Member States

Although economic growth in the Community was stronger in all Community countries in the second half of the 1980s than in the first half, that growth was not evenly distributed between the Member States. Annual average growth

11 GDP and employment growth in the Member States 1985-89



rates varied from 2% or less in Greece and Denmark to 4% and more in the UK, Spain, Portugal and Luxembourg (Graph 11). (It should be noted that the figures for GDP growth in this graph have been calculated for the period end-1984 to end-1989 to make an approximate allowance for the tendency for the effect of output growth on employment to take around 6 months to show up.)

Countries with the highest job growth were invariably those with the fastest growth of GDP. However, high output growth did not stimulate high employment growth in all cases. Italy and Luxembourg — both countries where the growth of GDP between 1985 and 1989 was above the Community average — experienced a below average growth in employment.

Four Member States clearly outperformed the rest with respect to job creation over the period 1985 to 1989. In one of these, however, the Netherlands, the majority of jobs created were part-time and, if allowance is made for this (by counting 2 part-time jobs as equal to 1 full time) the rise in employment is reduced from over 4% a year to close to the Community average, at around 2% a year. The other three countries, Spain, Portugal and the UK enjoyed growth rates of employment of between 2.3% and 3.7% a year over this period — rates at least double those in the remaining eight Member States, the Netherlands apart. All three of these countries experienced GDP growth well above the Community average over this period, at around 4% a year or more.

In terms of achieving convergence of income per head and of employment opportunities, the performance of Spain and Portugal was

encouraging. Although these Member States experienced above average population growth between 1985 and 1989 — which reduced the apparent improvement in terms of income per head — they narrowed the gap in economic performance between themselves and the rest of the Community over this period after a decade or more in which it had widened (see Chapter 4).

Ireland and Greece performed less well although, in the case of Ireland, the indications are mixed. Following a poor growth performance up to 1986, it has sustained an increase in GDP well above the Community average since then, and, in 1989, achieved a growth rate of almost 6%. Despite this, however, employment rose by only just under 0.7% a year between 1985 and 1989.

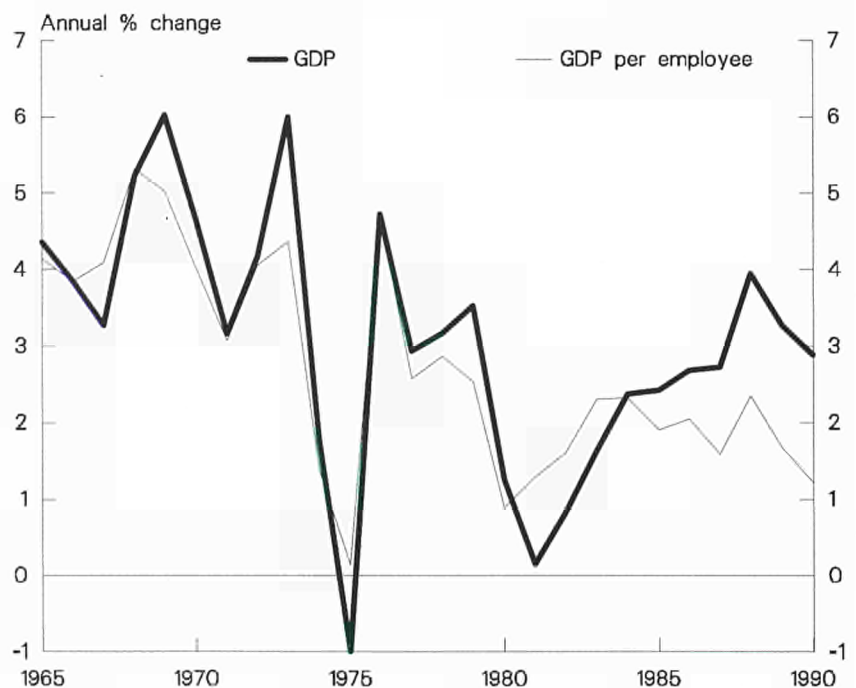
The performance of Greece is the most disappointing. GDP growth

there averaged less than 2% a year over the period, although with a net addition to jobs of 0.6% a year. Moreover, problems of high inflation and large budget deficits remain unresolved and clearly constrain the country's ability to narrow the income gap with the more prosperous areas of the Community.

Employment, output and productivity relationships

Output growth between 1985 and 1990 brought considerable improvements in employment. However, although the growth of GDP over this period was much higher than during the first half of the 1980s, it averaged only around 3% a year. That was similar to the rate achieved in the 1975 to 1979 recovery following the first oil price shock, and it

12 Annual growth of GDP and GDP per employee in the Community 1965-90



was well below the rates sustained throughout most of the 1960s and early 1970s (Graph 12).

The unusual aspect of the recent period was not so much the rate of growth of output, as the rate of growth of employment. Despite only 3% economic growth a year, net job creation averaged around 1% a year — a higher rate than at any time since the 1950s.

Thus, the expansion in employment was associated, not with an unusually rapid growth of output, but an unusually low growth of GDP per person employed. This reduction in the growth of output per person, or productivity, has occurred, moreover, at a time when the reverse might have been anticipated taking into account the Internal Market programme, the growth of investment and the spread of technology in general.

The efficiency and productivity gains arising from the removal of artificial barriers to internal competition of the Single Market programme would seem therefore to have been reduced by other factors.

The Community is not alone in this experience. The apparent fall in productivity growth is evident in the US on an even more pronounced scale, although it occurred more there in the 1970s (when output per person hardly increased at all) than in the 1980s (when the rise nevertheless only averaged a modest 1% a year).

One possible explanation of this slowdown in productivity growth is that it reflects the shift in employment from industry to services — i.e. from high productivity to low productivity activities.

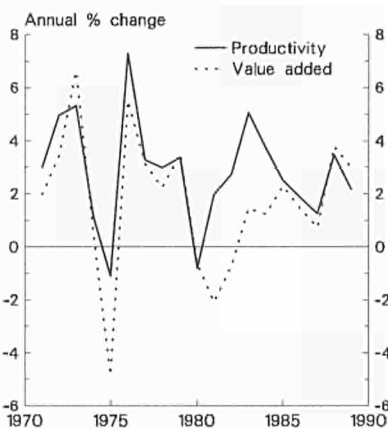
Further analysis demonstrates, however, that only a small part of the reduction in output per person in recent years can be attributed to this sectoral shift. Contrary to what is often assumed, the level of output per person in services is more or less the same as the level in industry rather than below it. Moreover the growth of productivity over the past two decades has been broadly the same in the two sectors. The shift in employment from industry to services has, therefore, had little effect on output per person in the economy as a whole.

The movement of labour out of agriculture (where productivity is relatively low) into other sectors (where it is higher) has had some effect in the past in boosting overall output per person. However over the past 20 years, when employment in agriculture has been comparatively small, the effect has also been small.

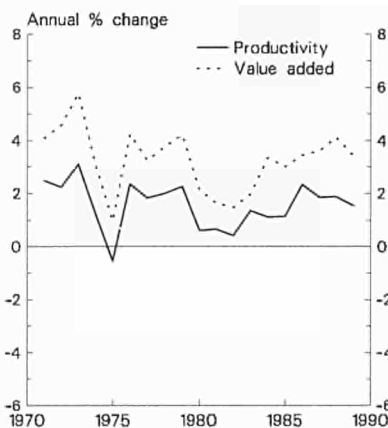
Over time, there is evidence of the same kind of slowdown in productivity growth in both industry and services separately as is apparent for the Community economy as a whole. In both services and industry the slow-down seems to date from around 1983 or so. Up to that year, productivity in industry tended to grow significantly faster than output — the average growth of net output was 1.5% a year between 1971 and 1983, the average growth of productivity 3% a year — giving rise to a substantial fall in employment (Graph 13A). After that year, the gap between the two has been much narrower, productivity growth averaging 2.5% a year as against output growth of 2% a year between 1983 and 1989. As a result, employment in industry has fallen at a slower rate than before. Chapter 6 explores developments in the industrial sector in greater detail.

13 Annual growth of value-added and productivity in industry and services in the Community 1971-1989

A Industry



B Services



Does not include E, IRL, P

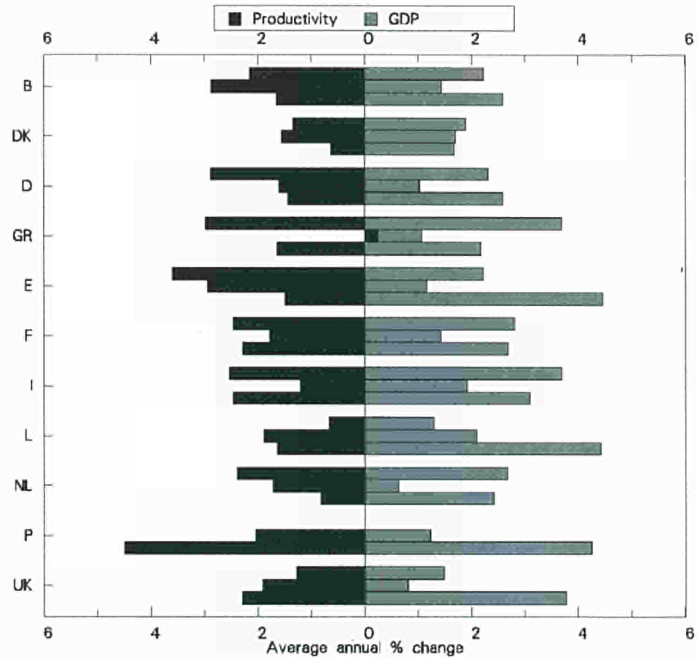
In services, the growth of output has fluctuated by much less than in industry and has been consistently above the growth of productivity throughout the post-war years (Graph 13B). As a consequence, employment in services has grown at a fairly steady rate. Between 1971 and 1983, the average growth of service output was 3% a year while productivity rose at an average of 1.5% a year. Between 1983 and 1989, service output growth averaged 3.5%, productivity 1.6% and employment therefore increased by around 0.5% a year more than would have been expected on the basis of the previous relationship.

Employment, output and productivity in Member States

The recent slowdown in productivity growth seems to be a widespread feature of recent history in most Member States. In 8 of the 11 countries for which comparable data are available, the increase in real output per person was significantly less in the period 1984 to 1989 (the period of economic recovery) than would have been expected on the basis of the relationship between productivity and output growth over previous phases in the economic cycle — 1973 to 1979 and 1979 to 1984 (Graph 14). In Germany, for example, GDP grew at a slightly higher rate between 1984 and 1989 than in the period 1973 to 1979. The growth in overall productivity, however, was only just over half as much (1.5% as against nearly 3%). In the Netherlands, GDP growth in the later period was slightly below that in the 1970s, but the rise in productivity was only a third as high.

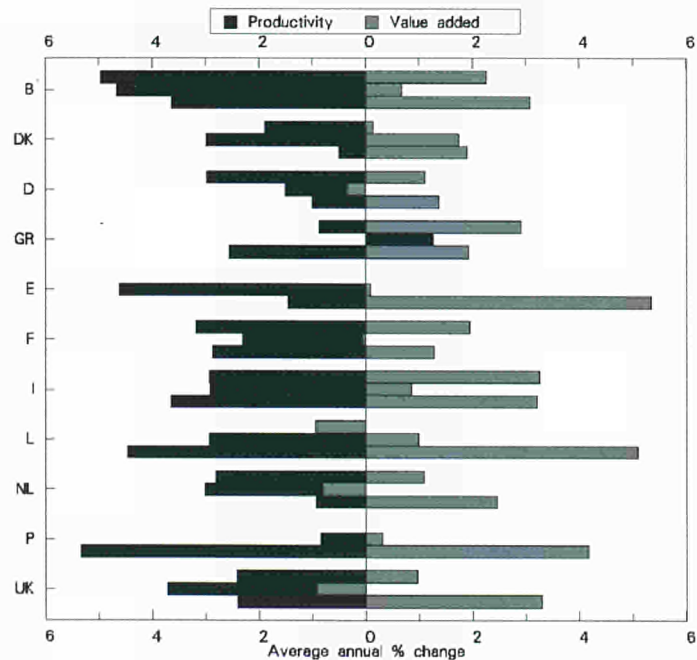
At the extreme, in Spain, the annual growth of GDP between 1984

14 Annual average changes in GDP and productivity in the Member States 1973-79, 1979-84 and 1984-89



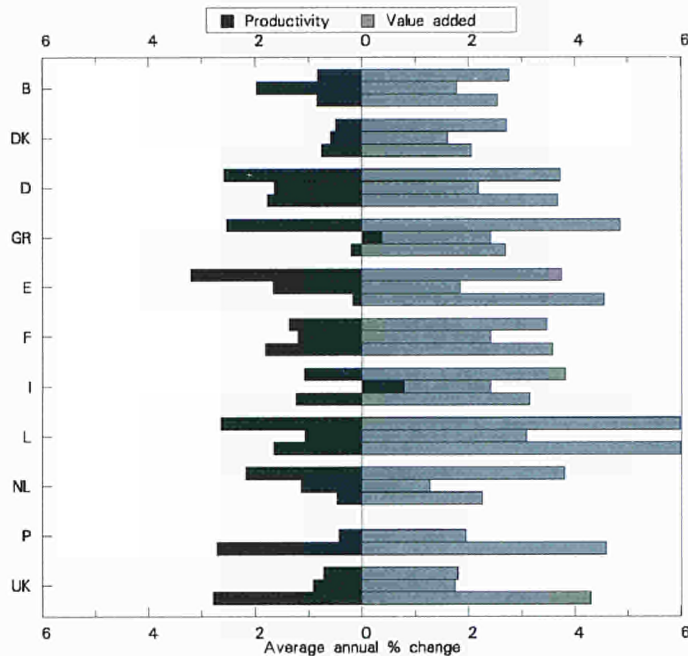
Top bar 1973-79, middle bar 1979-84, bottom bar 1984-89 P: no data for 1973-79

15 Annual average changes in value-added and productivity in industry in the Member States 1973-79, 1979-84 and 1984-89



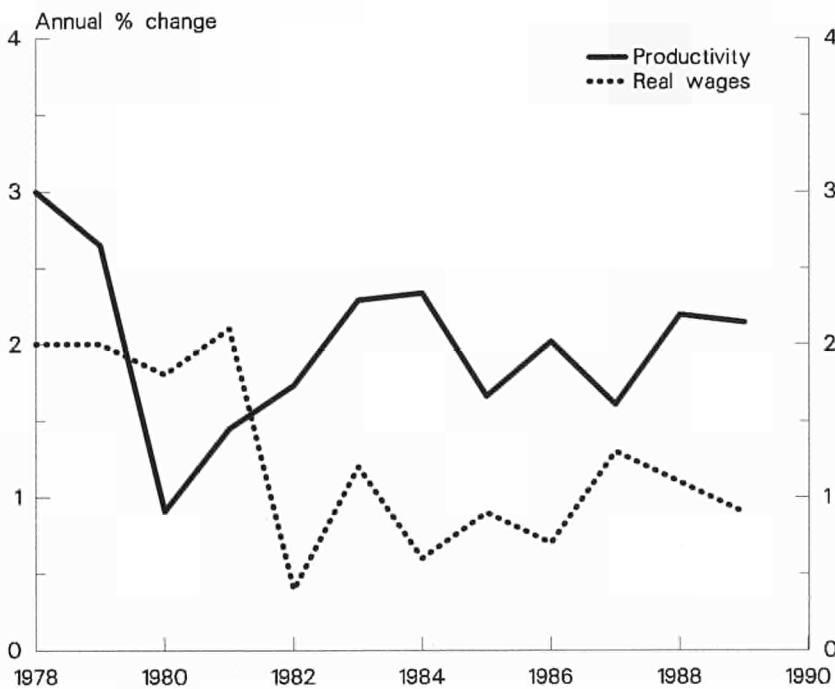
Top bar 1973-79, middle bar 1979-84, bottom bar 1984-89 E&P: no data for 1973-79

16 Annual average changes in value-added and productivity in services in the Member States 1973-79, 1979-84, 1984-89



Top bar 1973-79, middle bar 1979-84, bottom bar 1984-89 P: no data for 1973-79

17 Real wages and productivity in the Community 1978-1989



and 1989 was almost double the rate between 1973 and 1979, yet productivity increased at less than half the rate in the earlier period.

The only countries not to have experienced a slowdown in productivity growth since 1984 are France, Italy, Portugal and the UK. Only in the three former cases was the rise in GDP per person employed between 1984 and 1989 in line with what would have been expected from the relationship to GDP growth which held before this period.

Much the same pattern emerges if changes in output and productivity are examined in industry and services separately (Graphs 15 and 16). Again both Italy and Portugal show no evidence of a slowdown in productivity growth since 1984 in either of these sectors. For Greece and France, however, some slowdown is apparent in the service sector, although not in industry. For the other Member States, a reduced rate of productivity growth is evident in the most recent period in both industry and services, apart from services in Denmark, where a small increase is evident, and in the UK where the annual growth in productivity rose dramatically.

Another possible explanation of the slowdown in productivity growth is that the number of persons employed has become a misleading indicator of labour input, because it measures heads rather than hours worked. To the extent that average hours worked have declined and part-time work increased, measuring productivity in terms of output per person would tend to underestimate productivity growth.

However, when appropriate adjustments are made, it makes little difference to the calculation of productivity growth between 1985 and

1989. Only in the case of the Netherlands — where there has been a particularly large increase in the importance of part-time working — is the figure for productivity growth significantly raised over this period (by 1.3% a year) if an estimate of hours worked (rather than numbers of people) is used to measure employment.

A third explanation could be that the high levels of unemployment which have prevailed over recent years and which have hit unskilled workers particularly hard may also have been a factor. (In the US, high levels of unemployment were also accompanied by high growth of working-age population.) Job shortages and the excess supply of labour may have meant, on the one hand, that people have been prepared to work at lower wages and, on the other, that employers have sought people willing to perform activities at wage levels which made them profitable.

In fact, the growth in real wages over the 1980s across the Community has been well below the growth of labour productivity (Graph 17). Widening disparities in income are also apparent in many Community countries, where there has been a tendency for wages of those at the bottom of the scale to increase by less than those further up. All of this evidence could support the view that the drop in productivity reflects a general shift in this period towards more low wage, low investment and low productivity jobs.

Sectoral Shifts in Employment

In common with most other industrialised parts of the world, the Community has seen a long-term

shift in the sectoral distribution of employment towards services (Graph 18). Up to 1973 or so, this shift was largely at the expense of a decline in employment in agriculture, with the share of services in total employment increasing from 43.3% to around 50%, and the agricultural share falling from over 16% to just over 11% (see Chapter 5). Since then, employment in services has continued to expand until, in 1989, it accounted for over 60% of Community employment. While employment in agriculture has continued to fall, there has also been a decline in employment in industry, which in 1989 was responsible for 32% of employment compared with nearly 40% in 1973.

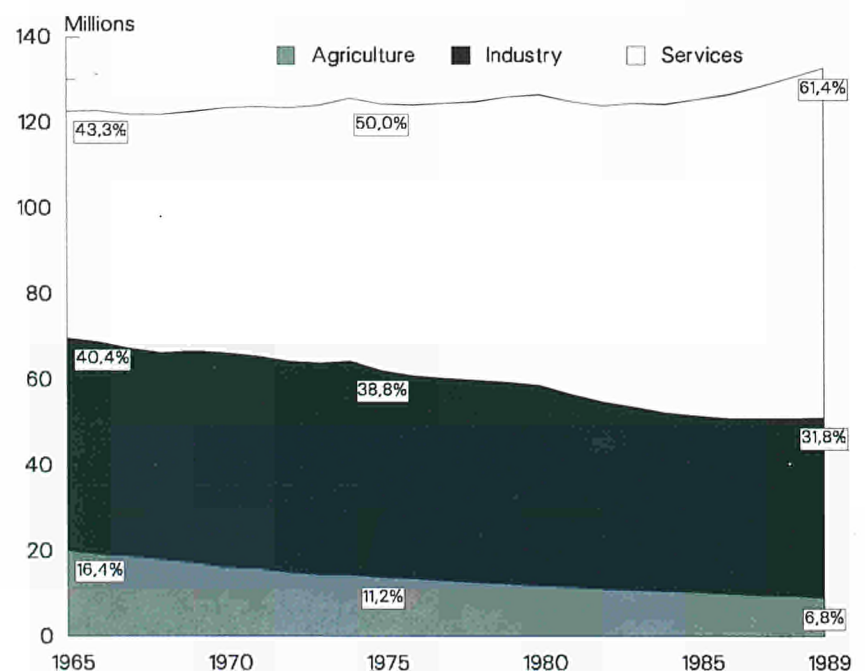
The almost universal nature of the trends is reflected in the fact that between 1965 and 1988 (the last year for which comparable data are available), the change in the dis-

tribution of employment between broad sectors was almost identical in the rest of Western Europe to that in the Community (Graph 19). Japan showed an even more pronounced shift of employment from agriculture to services and, unlike the Community or indeed the US, experienced an increase in the relative employment size of the industrial sector, from being smaller than that of the Community in 1965, in comparative terms, to being larger than the Community — with 34% of total employment compared with the Community's 32%.

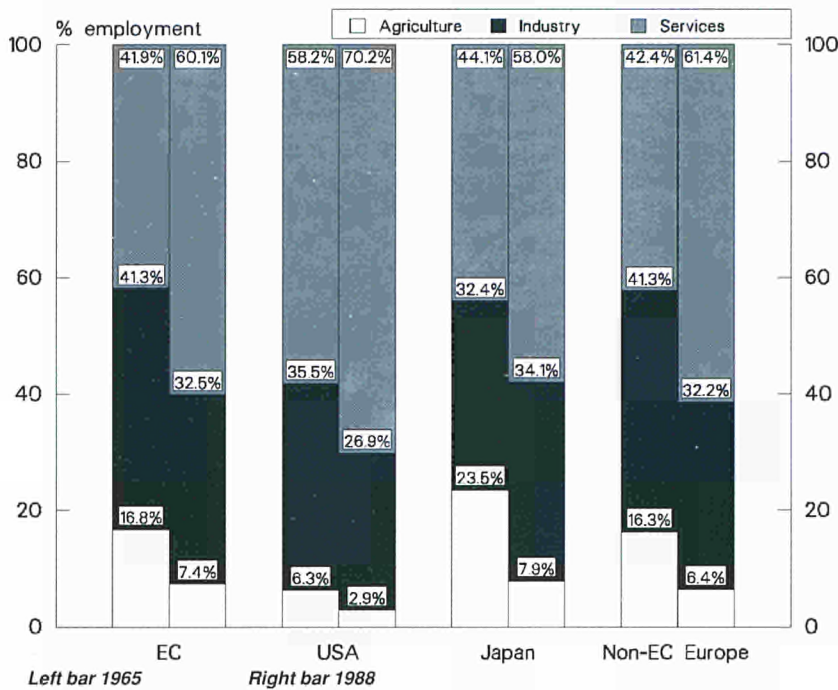
There is little sign of any slow-down in the trend shift to employment in services — indeed there is some evidence of an acceleration in the Community over the 1980s. The experience of the US is illuminating in this respect. The proportion of the US workforce employed in services

18 Sectoral employment trends in the Community

1965–89



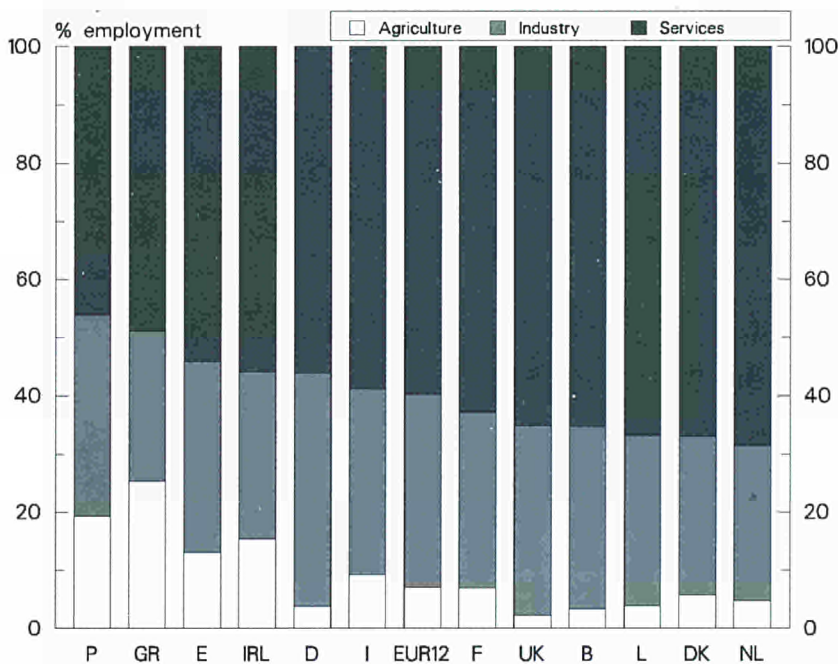
19 Sectoral distribution of employment in the Community and elsewhere 1965 and 1988



in 1965 was 58%, (i.e. only slightly below that of the Community now) and hence the growth of service employment was less between 1965 and 1988 than in the Community, Japan and the rest of Europe. Nevertheless, by 1988, the service share of employment in the US had reached 70% and the industry share had fallen to 27% (Graph 19).

The sectoral pattern of distribution in the US is similar to that in a number of the more prosperous Community countries. In 1989, the proportion employed in services in the Netherlands, Denmark, Luxembourg, Belgium and the UK was between 65% and 70%, while the proportion employed in industry was between 25% and 30% (Graph 20). In the poorer countries, employment in services was much less — in Portugal and Greece, less than 50%, in Spain and Ireland, less than 55% — although the proportion employed in industry was no higher than elsewhere.

20 Sectoral distribution of employment in the Member States 1989



The one prosperous country where the share of employment in services is significantly out of line is Germany. Here the proportion of employment in services, at around 55%, is on a par with Spain and Ireland. By contrast, 40% of the German workforce is employed in industry, much more than in Japan, and similar to the Community average of 25 years ago.

In terms of the period 1985 to 1989, almost all the additional jobs created were in the service sector (Graph 21). Indeed, the increase in employment in services was greater than the total increase in employment since over 1 million jobs were lost in agriculture. Apart from building and construction (where the level of employment is particularly sensitive to the overall rate of economic growth) there was little

net increase in employment in industry for the Community as a whole.

Within the service sector, increases in employment were most pronounced in distribution and hotels, in banking and finance — which, in percentage terms, showed the biggest rise of all. Despite being a small sector (accounting for under 10% of total employment) banking and finance was responsible for over 25% of overall employment growth in this period. More recently, however, some decline has set in. Health, education and other services accounted for over 40% of the total addition to jobs over this period.

Sectoral Employment Problems

While there has been long-standing concern about the general level of productivity and trade performance within much of Community industry, there has been particular concern, recently, about the employment consequences of structural or market changes currently taking place in certain sectors.

Three industries in particular raise concerns:

- the defence industry, where improved prospects for peace have reduced demand and strengthened pressures for diversification;
- the automobile industry, where a strong cyclical downturn coincides with problems of productivity;
- the textiles, clothing and leather industries, where many less developed regions fear that their limited industrial base is under threat.

The defence industry

The defence industry is an important employer in a number of Community countries but the market for the products manufactured by the industry has grown slowly in recent years and it may well decline in the future.

There are two main reasons for this. Firstly, public spending on defence is being reduced in most countries, at least in real terms, as relations with the Soviet Union improve and tensions in Europe ease. Purchases of military equipment by national governments are being cut back and investment in new weapons' technology shelved.

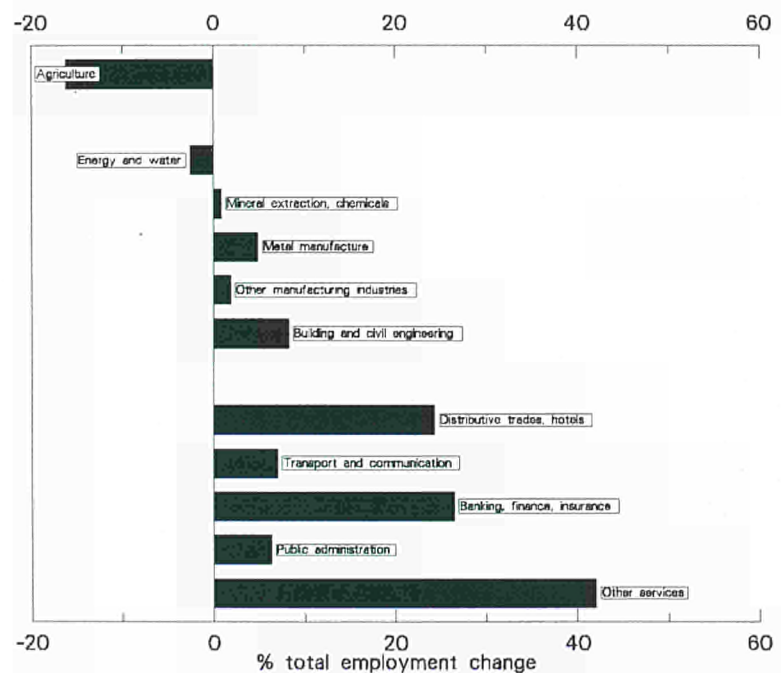
Secondly, the Gulf War has served to raise questions about trade in armaments and the problems caused by supplying mass destruction weapons to Third World

countries. This may well lead to more restrictions on exports to certain regimes.

Many companies involved in defence production have been diversifying into other areas of activity for some time. Indeed, most major companies in the industry now have a high proportion of turnover in other areas and, in many cases, defence equipment now represents a minor part of their sales. Nevertheless, there are many problems in switching to other types of activity.

Moreover, although the industry appears to be dominated by large companies, the majority of firms involved are small and specialised. In the UK, an estimated 10,000 separate enterprises were involved in defence production in 1989, while in France the figure was around 8,000. They tend to work on a sub-contract basis, producing equipment or com-

21 Contribution of economic activities to the net change in employment in the Community 1985-89



Includes Spain and Portugal 1986-89

ponents to detailed specifications and lack the expertise to develop outlets for alternative products.

In terms of economic size, the defence industry is not among the largest in the Community. Its importance derives rather from the high technological content of the production process and product development, on the one hand, and from its political status connected to national security, on the other. Individual defence contractors, for the most part, do not figure among the highest-ranking companies by turnover in any European country.

It has been estimated that a substantial share of defence industry turnover in each Member State is accounted for by its own defence procurement budget. According to NATO figures, combined Community procurement budgets

amounted to some 30 billion ECU in 1989.

Although no trade figures are published by national authorities, independent estimates made by SIPRI, the Stockholm International Peace Research Institute, suggest that nearly 7 billion ECU of major conventional weapons were exported by Community countries in 1989. Since 1984, exports have fallen sharply to less than 70% of their value in constant prices. There is little intra-Community trade and the bulk of Member States' imports come from the US.

Because of secrecy, and because of problems in identifying defence industries in industrial statistics, it is difficult to obtain accurate estimates of employment. Nevertheless, it has been estimated that some 1.5 million people are employed in defence and defence-re-

lated industries in the Community. This includes indirect employment, i.e. all subcontracting outside the main contractor; maintenance works; and civilian production resulting from offset agreements related to military acquisitions.

In addition to those employed in the defence industry, significant numbers of people work in the armed forces. In 1989, the number amounted to some 2.8 million or just over 2% of total employment. Some of these jobs are also vulnerable.

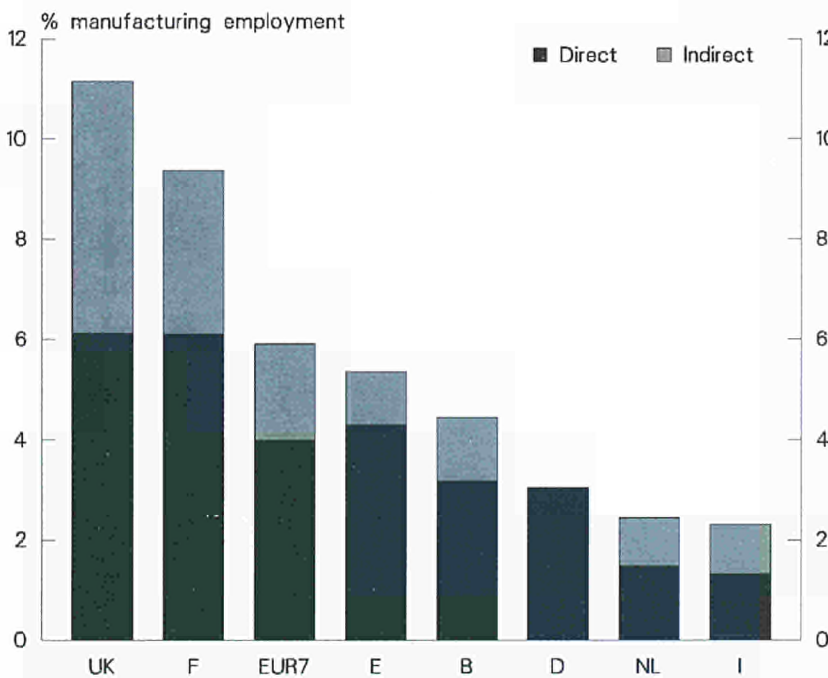
The importance of the defence industry varies markedly between Member States. It is of greatest importance in the UK and France. In the UK, direct and indirect employment amounts to over 600,000 or 11% of the manufacturing workforce (though not all employees in defence industries will be classified to manufacturing). In France, it is responsible, directly or indirectly, for employing an estimated 400,000 people, equivalent to over 9% of employment in manufacturing (Graph 22).

Much of the employment in the UK and France, moreover, is concentrated in certain regions — in Brittany, the South-West, South-East, and Paris region in France, in the South-West and South-East in the UK. In some areas, the industry accounts for 15–20% of total employment.

In the rest of the Community, employment in the defence industry is smaller, ranging from a figure equivalent to around 5% of total manufacturing employment in Spain and 4% in Belgium to just over 2% in Italy.

Having high defence industry employment does not necessarily mean that a Member State will have large

22 Employment in defence as a share of manufacturing employment 1988/89



armed forces. The highest number of people in the armed forces, in relation to the total work-force, is for Greece, where the figure was just under 5% of total employment in 1989, almost twice as high as anywhere else in the Community, despite Greece having a very small defence industry. In most Member States, the proportion of the work-force in the armed forces was between 1 and 2%.

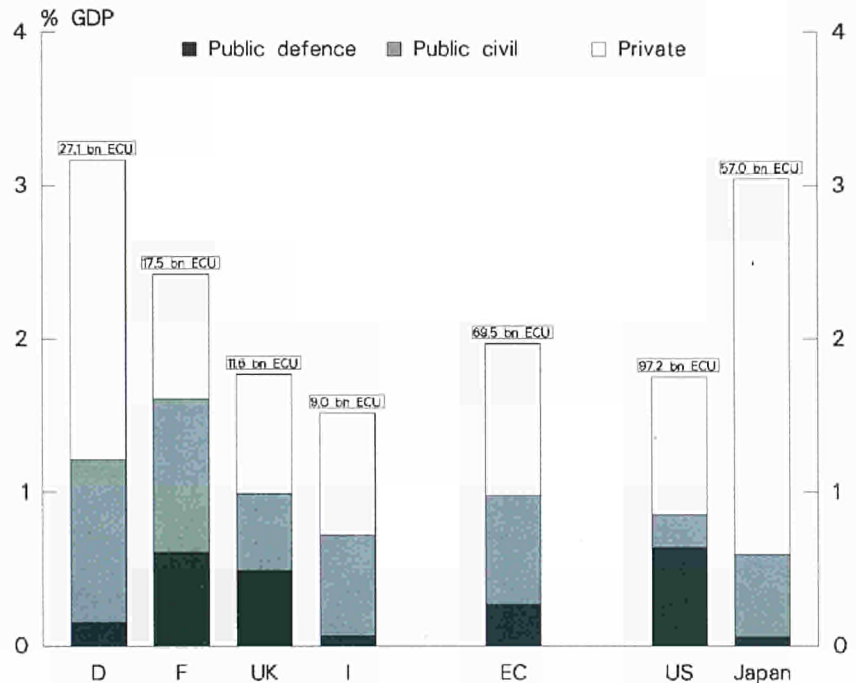
A high proportion of people employed in the defence industry are engineers and scientists with skills in short supply in the economy generally. In the UK, for example, 60% of design engineers working in the mechanical engineering industry are employed in defence-related activities.

Reflecting this, defence activities in the UK and France absorb a substantial proportion of research and development resources. In 1987, 28% of all R&D expenditure in the UK and 25% of that in France went on defence work, in both cases representing a significant share of total public spending on R&D (Graph 23). These proportions are below that of the US, but much greater than those in the rest of the Community — in Germany or Italy, for example — or in Japan.

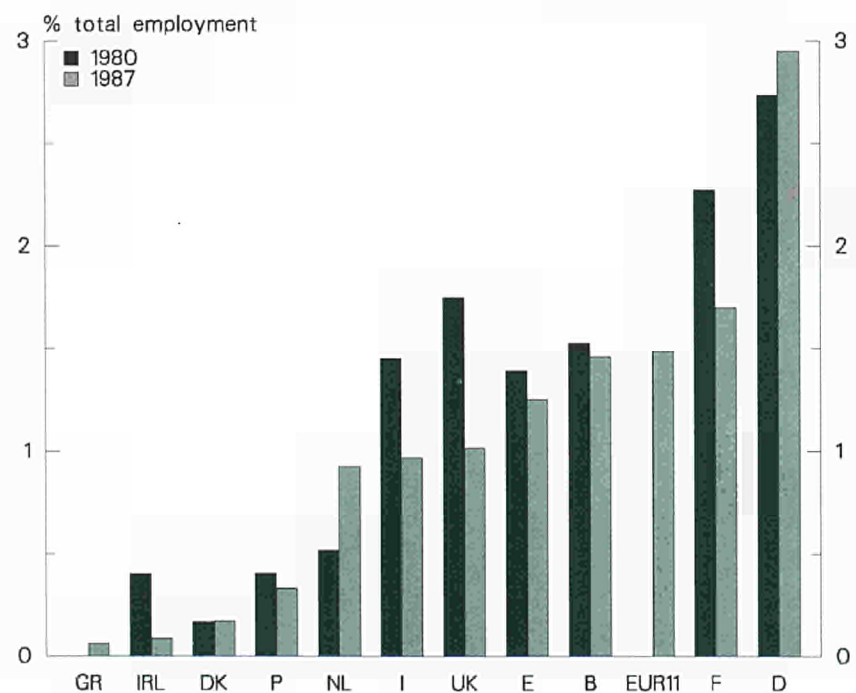
The automobile industry

The automobile industry employs around 3 million people, approximately 6% of the Community's industrial workforce. Of these, around 1.4 million work directly in assembly plants with another 1 to 1.5 million in manufacturing components. In addition, 2 million people are employed in distribution. This employment, although spanning all Community countries, is concentrated in six: Belgium, West Germany, France, Italy, Spain and

23 Research and development expenditures as a share of GDP 1987



24 Employment in the motor vehicle industry in the Member States 1980 and 1987



the UK, which together account for over 90% of employment in component manufacturing and assembly (Graph 24).

Although world demand for automobiles is likely to recover its trend rate of growth in time, the automobile industry is currently undergoing a major cyclical recession. In addition, the European industry is likely to experience, over the next decade, substantial changes due to the Internal Market, increasingly strong external competition and the need to produce more 'environmentally-friendly' automobiles.

European automobile plants and autocomponent manufacturers are judged to be, on average, less productive than the average Japanese plants. A recent study, by MIT, concluded that European-owned car producers in 1989 had average pro-

ductivity of 35 hours per vehicle compared with 17 for Japanese-owned firms based in Japan, 21 for Japanese in North-America, and 25 for Americans in North-America (Graph 25). Quality, measured by the number of defects per 100 vehicles, showed similar relative performance.

A system known as 'lean production' — conceptualised and implemented by the Japanese — is held responsible for this productivity gap. The system requires, among other things, that workers learn many skills and apply them in a team, rather than hierarchical, environment. In order to remain competitive, firms attach considerable importance to investment in training and to the mobilisation of a high level of worker commitment. Consultation and participation of the workforce in the production process is part of the approach

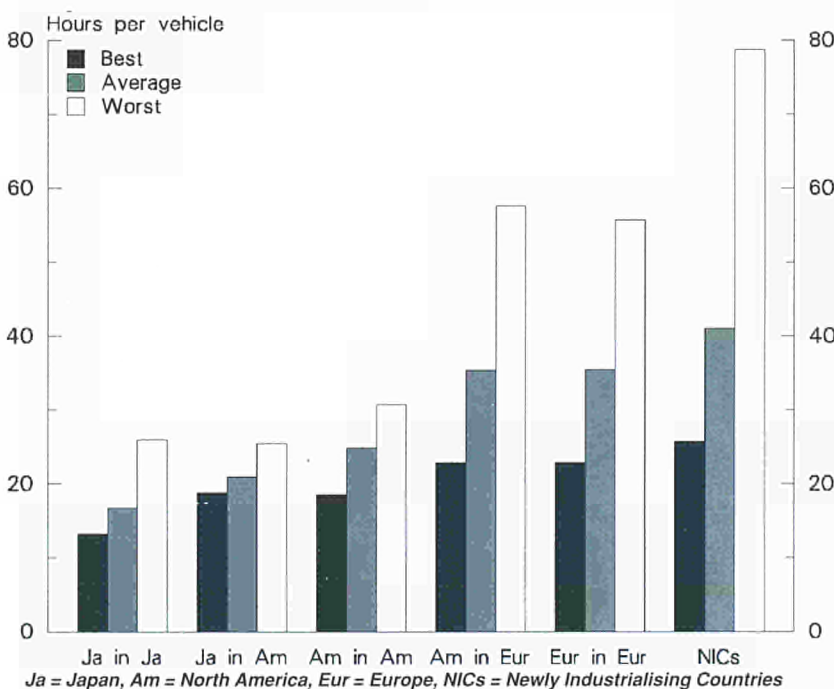
developed in order to obtain the flexibility needed to respond quickly to changing market demands.

Additional investment in automobile plants by domestic manufacturers and Japanese 'transplants' will increase domestic European capacity by around 10% in the next five years. The effect of this new capacity, and the changes required in order to raise productivity, may lead to substantial changes in the location of employment, and in its skills structure. These changes are likely to be greatest in the assembly and autocomponent sector. The distribution network — which accounts for over 40 % of employment within the industry — may also be affected, but the extent will depend on structural and legal developments.

The regional dimension of such industrial restructuring is important because many automobile plants and associated suppliers dominate their local labour markets. Plant closures can, thus, have a major impact on the economic and social fabric of an area. Moreover, employees facing redundancy will not normally find new jobs within the automobile industry. Japanese manufacturers prefer new production facilities in greenfield sites, and many of the new jobs created in new plants require different skills, and are located in different areas.

A substantial part of employment in the automobile industry in Spain and Italy is located within areas classified as less developed, Objective 1 areas for the Community Structural Funds. With respect to Objective 2 areas, which are areas of industrial decline, estimates indicate that, within the six largest automobile manufacturing countries, only 6% of automobile plant employees are employed in areas to-

25 Hours per vehicle production by nationality of owner and location of plant 1989



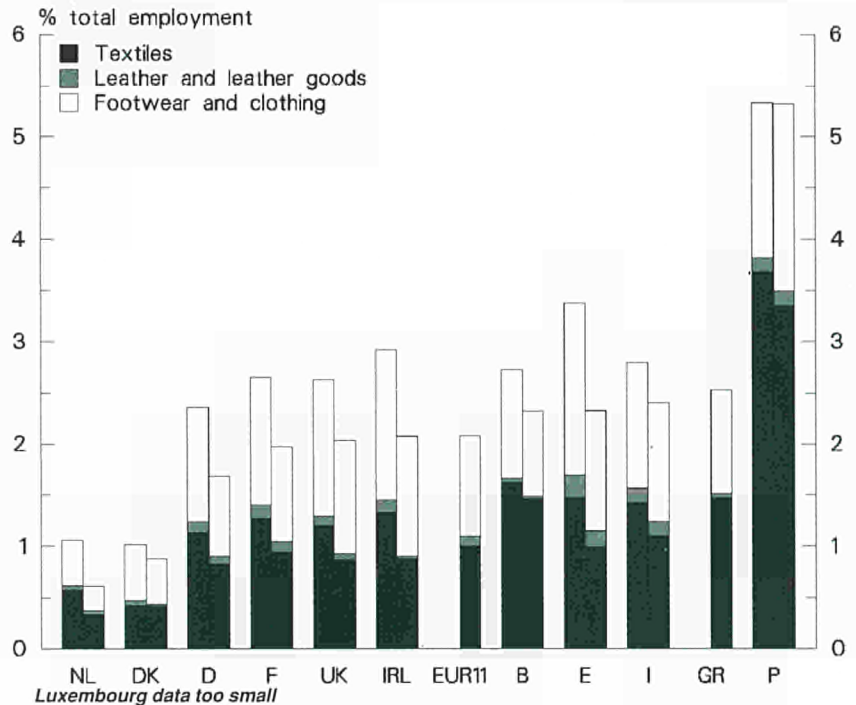
tally eligible for Structural Fund aid with a further 27% located in areas which are partially eligible. These proportions are similar for autocomponent manufacturing employees. The proportion in totally, or partially eligible, Objective 2 areas is highest in Spain, Italy and the UK and lowest in West Germany. In total, the proportion of employment in the automobile industry (within the six largest automobile manufacturing countries) that is located in areas that are partially or totally eligible for Community aid is 42% of automobile plant employment and 34% of autocomponent manufacturing employment.

Textile, leather and clothing industries

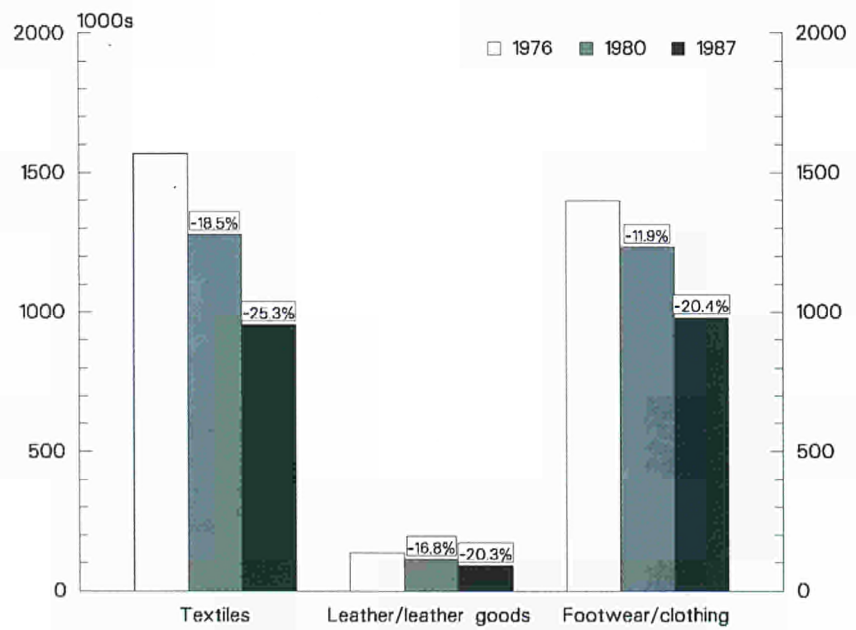
The textile, leather, footwear and clothing industries (excluding distribution) account for nearly 2% of Community employment, or over 2 million jobs. In all Community countries except Denmark and the Netherlands, these industries account for at least 1.5% of employment. In Portugal, they are particularly significant, employing over 5% of the labour force. Half of Community employment of the textile, leather, footwear and clothing industries is accounted for by textiles — a feature common across Member States, except in Portugal, where it accounts for over 60% (see Graph 26).

In most Member States, the industries have undergone extensive restructuring and a decline in employment over the past decade. Using the data which are available, but which do not cover all Community countries for the whole period, it would seem that in the late 1970s, employment fell by the order of 3–4% a year, and that it continued to fall at a similar rate

26 Employment in the textile sectors in the Member States 1980, 1987



27 Employment in the textile sectors in the Community 1976, 1980 and 1987



throughout the 1980s (see Graph 27). Notable exceptions in the 1980s have been Portugal — which has not lost employment at all — and Italy, where most of the limited decline was in textiles only.

While the textile industry is very capital intensive and uses much qualified personnel, much of the clothing sector consists of small businesses employing large numbers of women, often in poor working conditions, although some areas — notably in Italy — have built modern industries around industrial districts of small businesses working in cooperation.

Textile and related industries tend to be at the lower end of the manufacturing pay scale, paying around 80% of average manufacturing earnings in 1987. There is some variation across Member States with the Netherlands and Denmark

— which have small industries — paying around 90%, the UK paying under 80% and Greece having increased during the 1980s from around 90% to paying the average of manufacturing earnings by 1987. Throughout the 1980s, female workers' wages in the European textile industries remained about 20% lower than those of male workers.

The future of the remaining Community industry is seen to lie in quality, specialist, high value-added products and markets, and many manufacturers have moved in this direction as the industry has rationalised. However, in many parts of the less developed countries of the Community — Portugal, Greece, and parts of Spain and Italy — textiles still account for a fifth, a quarter, or even a third of all industrial employment. These areas face particularly fierce competition from extra-Community imports.

Trends in Self-employment and Part-time Employment

Self-employment

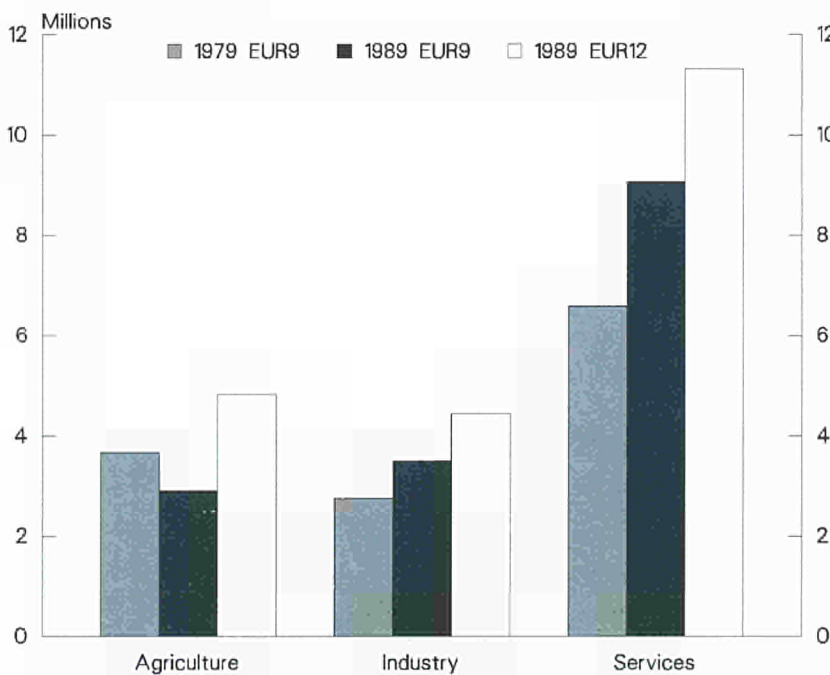
In 1989, 16% of those employed in the Community were either employers or self-employed. Over half worked in services, where they accounted for 14% of employment, and a quarter were in agriculture, where they represented over half the working population in the sector (see Chapter 5).

Over the past 10 years, the total number of self-employed has increased in the Community. For nine Member States (excluding those entering since 1980 — Greece, Spain and Portugal — for which no comparable data exist) the numbers increased by over 2 million between 1979 and 1989, with reductions in agriculture being offset by increases in both industry and services, especially the latter (Graph 28). In relation to total employment, however, which also increased over this period, the overall rise of self employment has been modest.

The relative importance of self-employment varies considerably across the Community. In general, self-employment tends to be least important in the more developed and more prosperous countries. In Germany, Denmark, Luxembourg and the Netherlands, the self-employed accounted for less than 10% of total employment in 1989, while in Greece, they accounted for over a third and in Portugal, over a quarter (Graph 29).

In most countries there has been little or no change in the proportion

28 Changes in self-employment by sector in the Community 1979–89



Figures not available for Spain, Portugal, Greece 1979

of self-employed over the past decade and any overall increase is attributable to particular countries. A particular case is the UK, which began the period with the lowest share of self-employment (under 7% in 1979) and finished with a share close to the Community average (13% in 1989). Here the main growth occurred between 1979 and 1986 when unemployment escalated from under 5% to over 11%, the difficulties of finding paid employment encouraging many to work for themselves. Apart from the UK, only in Belgium and Italy was self-employment more important in 1989 than 10 years earlier.

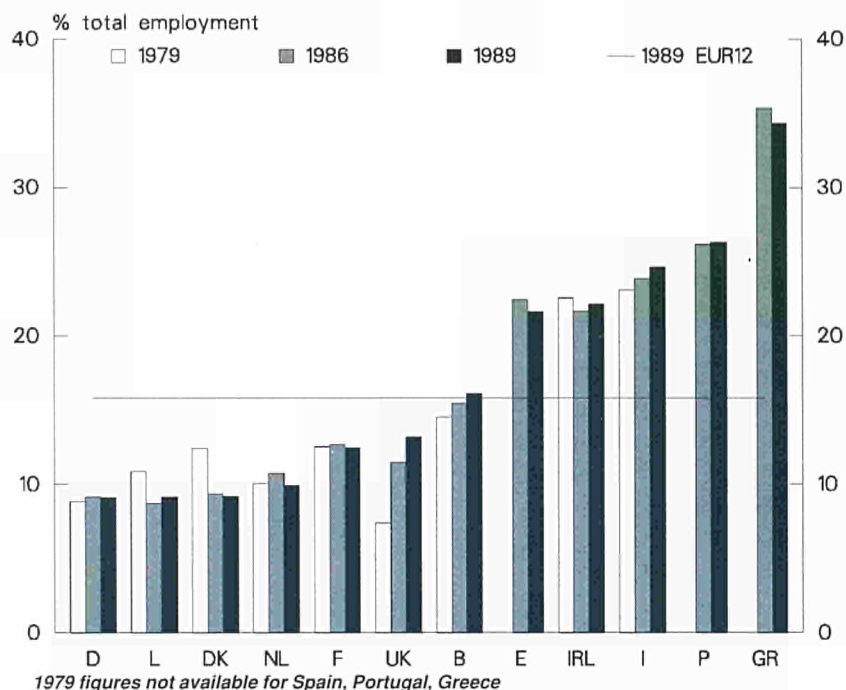
Part-time employment

Many of the jobs created since 1985 have been part-time rather than full-time. Allowing for the fact that a full-time and part-time breakdown of employment is not available for Portugal before 1986 and for Spain before 1987, one in three jobs created over the period 1985 to 1989 were part-time, and one in four of all jobs created were part-time jobs for women (Graph 30). While less than 25% of new jobs going to men were part-time, the proportion for women was around 40%.

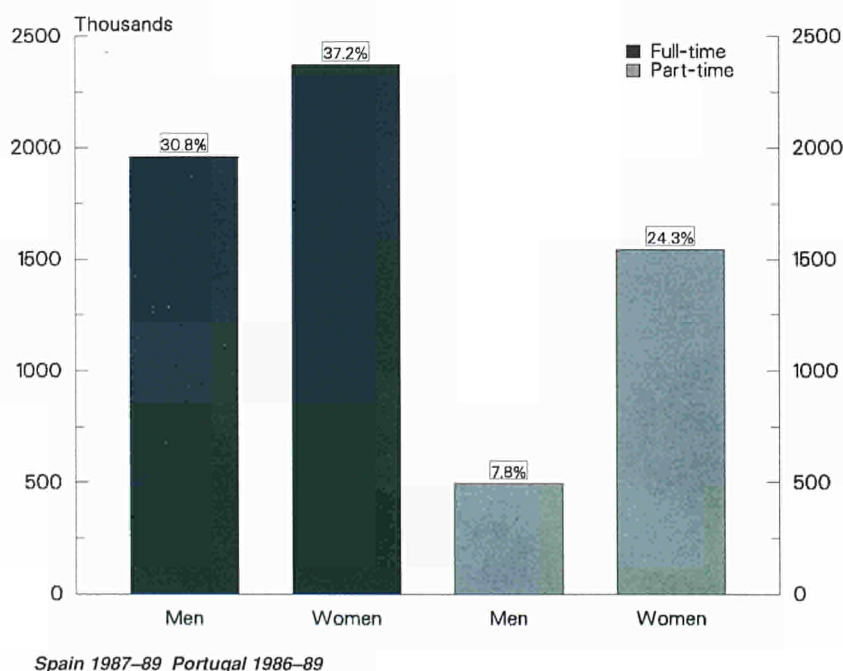
In part, this shift to part-time working reflects an increased demand for flexible working hours, particularly as a significant number of the women who became employed had young children. On the other hand, many people in part-time work are only doing so because they are unable to find a full-time job.

The trend towards increased part-time working is not common to all Member States, however. The proportion of men working in part-time employment remains low throughout the Community at

29 Self-employment in the Member States 1979, 1986, 1989



30 Contribution of changes in part-time and full-time employment to net employment growth in the Community 1985-89



around 5% of total employment, and only exceeds 10% in the Netherlands. Most countries experienced a slight increase over the period but there has been some decrease in the importance of part-time work for men in the Southern Member States.

The importance of part-time working among women varies a great deal between Member States. It accounts for between 8 and 12% of female employment in the Southern countries of Greece, Portugal, Italy, and Spain, but over 40% in Denmark and the UK, and over 60% in the Netherlands. In most countries, the proportion of women working part-time increased between 1985 and 1989, but there were falls in Greece, Spain, Denmark, and the UK.

Key Employment Indicators in the Community

	1965	1975	1985	1988	<i>Units : Millions</i>	
					1989	1990
Total						
Total population (average)	293.2	312.4	321.9	324.6	326.1	328.6
Population of working-age (14–64) (average)	188.0	198.1	215.4	222.3	223.8	225.4
Total employment	122.6	124.3	125.3	130.6	132.6	134.7
Ratio of employment to population 14–64 (%)	65.2	62.8	58.1	59.8	59.2	59.8
Total unemployment	2.6	5.3	14.9	13.9	12.7	12.0
Unemployment rate (%)	2.1	4.1	10.8	9.7	8.9	8.4
Youth (14–24) unemployment rate (%)			23.1	19.6	17.3	16.0
Employment in agriculture	20.1	13.9	10.4	9.4	9.0	8.6
Employment in industry	49.5	48.3	41.1	41.5	42.1	42.7
Employment in services	53.1	62.2	73.8	79.6	81.5	83.4
Share of employment in agriculture (%)	16.4	11.2	8.3	7.2	6.8	6.4
Share of employment in industry (%)	40.4	38.8	32.8	31.8	31.8	31.7
Share of employment in services (%)	43.3	50.0	58.9	60.9	61.4	61.9
Men						
Total population (average)	142.3	152.0	156.5	158.0	158.8	160.0
Total employment	83.0	81.9	78.7	80.2	81.3	82.2
Total unemployment		3.3	8.0	6.8	6.0	5.6
Unemployment rate (%)			9.4	7.8	7.0	6.5
Youth (14–24) unemployment rate (%)			21.5	17.3	14.9	13.9
Employment in agriculture	13.3	9.1	6.8	6.1	5.9	
Employment in industry	38.0	37.1	31.6	31.6	32.3	
Employment in services	31.6	35.7	40.5	42.5	43.2	
Share of employment in agriculture (%)	16.0	11.1	8.6	7.6	7.3	
Share of employment in industry (%)	45.8	45.3	40.2	39.4	39.7	
Share of employment in services (%)	38.0	43.6	51.5	53.0	53.1	
Women						
Total population (average)	150.9	160.4	165.4	166.6	167.3	168.6
Total employment	39.6	42.5	46.6	50.4	51.3	52.6
Total unemployment		2.3	6.9	7.1	6.7	6.4
Unemployment rate (%)			13.0	12.6	11.7	11.1
Youth (14–24) unemployment rate (%)			25.1	22.3	20.0	18.3
Employment in agriculture	6.8	4.8	3.6	3.3	3.1	
Employment in industry	11.5	11.2	9.5	9.9	9.8	
Employment in services	21.5	26.5	33.5	37.1	38.3	
Share of employment in agriculture (%)	17.2	11.3	7.8	6.5	6.1	
Share of employment in industry (%)	29.0	26.4	20.4	19.8	19.2	
Share of employment in services (%)	54.2	62.4	71.9	73.7	74.7	

Chapter 2 Short-Term Outlook

Employment growth slows considerably and unemployment rises again from 1991.

After a long period of strong growth, the economic outlook for the Community in 1991 is unfavourable. Output growth is not expected to exceed $1\frac{1}{2}\%$ in 1991, half the rate achieved in 1990. Employment growth, as a result, will slow considerably, to around $\frac{1}{4}\%$. This weak rate of growth will not even compensate for the growth of the labour force and the rate of unemployment is expected to rise from 8.3% in 1990 to 8.7% in 1991. Investment growth is also expected to slow sharply, falling to less than 1%, and for the first time since 1986, will be less than GDP growth. Export growth will also be lower, reflecting the slowdown in the world economy, rising by $4\frac{1}{2}\%$ compared with 6% in 1990. Inflation is likely to be unchanged at around the relatively high rate of 5%, despite the slowdown in the Community economy.

The deterioration in the Community's economic performance in 1991 is the result of various factors. The Gulf War played a major role, but the direct cause of the slowdown lies more in the fact that the necessary correction of domestic disequilibria went hand in hand with the deterioration in the international environment (recession in the US, strong slowdown in world trade and depreciation of the dollar against the Community currencies in 1990).

Nevertheless, it is expected that this relatively pronounced downturn in the Community economy in 1991 will bottom out in the second half of the year to produce more favourable rates of growth in 1992. The improvement in the economic situation in 1992 is forecast to result from an improvement in consumer and business confidence following the end of the Gulf Crisis. GDP growth is expected to rise to just under $2\frac{1}{2}\%$ with investment recovering slightly and growing at just over $3\frac{1}{2}\%$.

The lag between the rise in output and its effect on employment means that employment is expected to increase at the same rate in 1992 as in 1991 — just $\frac{1}{4}\%$. Unemployment will therefore continue to rise, and is expected to average 9.2% over the year. Inflation, measured by the private consumption deflator, is likely to fall slightly, to around $4\frac{1}{2}\%$.

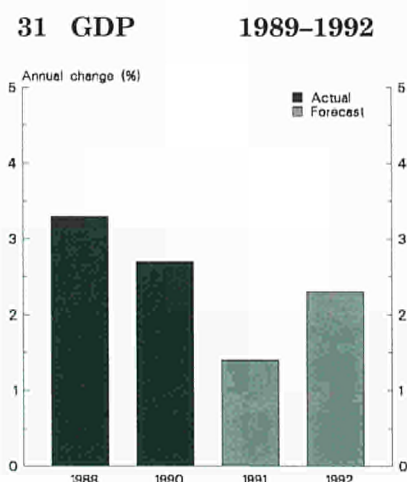
The recovery in 1992, however, depends on an improvement in both business and consumer confidence. Instability in the US dollar could upset this. A fall in the dollar would reduce the cost competitiveness of European products which could depress European export growth, while a sharp rise would push up the price

of imports and so increase inflationary pressure.

Domestic demand growth to slow in 1991 and recover in 1992

Real domestic demand in the Community is expected to increase in line with GDP, growing by only $1\frac{1}{2}\%$ in 1991 and slightly faster in 1992.

Investment growth will follow a pronounced cyclical path. Though seriously affected by the downturn, underlying conditions for investment, and in particular the longer-term prospects for market growth, should remain relatively unaffected and a return to the growth rates of 1986–90 is possible.



External demand is also likely to slow, mainly as a result of a fall in the growth of the world economy, particularly of the US. Community exports of goods and services to the rest of the world are forecast to grow by only 3³/₄% in 1991, compared with 5% in 1989 and 1990. Little change is expected in 1992.

Investment growth to recover in 1992

Investment growth will slow sharply in 1991, rising by less than 1%. The Community average is, however, heavily influenced by the decline of 10¹/₂% forecast in the UK. In Germany (western part), on the other hand, investment growth is likely to remain strong at around 6%. Most of the weakness in Community investment is expected to be in expenditure on equipment which will grow by only 1/4% in 1991, while non-residential construction is likely to hold up. Some recovery is expected in 1992, with a growth rate of around 3¹/₂%, mainly in equipment (4¹/₂%).

The recovery in investment depends on the assumption that wages will rise more slowly in

1991 than in 1990. Medium-term trends in profits have not yet been seriously affected by the recent increases in wages, but the net rates of return on the capital stock remain well below their average rates of 1969–73.

Consumption growth slows before rising again

The growth in private consumption is forecast to follow closely the changes in output growth, falling in 1991 before rising again in 1992. However, some upturn should occur in the second half of 1991, as consumer confidence improves.

The growth of public consumption should also fall to 1¹/₂% in 1991, given present government expenditure plans across the Community, and is projected to rise only slightly in 1992.

Inflationary pressure remains strong

Inflation should remain stable in 1991 and fall slightly in 1992. Consumer prices (as measured by the private consumption deflator)

should rise by 5.3% in 1991, slightly above the rate of 5.1% in 1990. This is relatively high considering the economic slowdown and the improvement in the terms of trade. Average wages per head are forecast to rise by 7% while productivity is projected to grow by around 1%, about the same as in 1990.

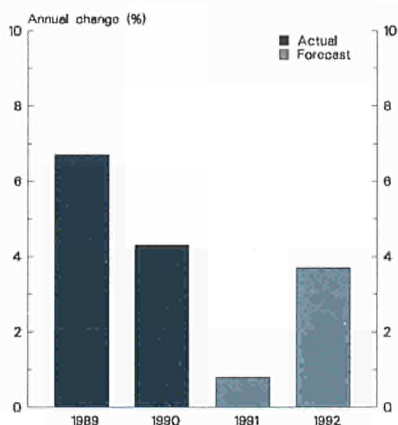
Inflation should fall in 1992, with consumer prices forecast to rise by 4.6%, considerably higher than in the period 1986–88. Real unit labour costs are projected to decline by over 1/2% which would contribute to an improvement in the profitability of enterprises and provide finance for some upturn in investment and output. Import prices are expected to rise by 1% in 1991, and by over 3% in 1992.

Budget deficits increase before falling again

Public deficits, as measured by general government borrowing requirements, are projected to increase from 4% of GDP in 1990 to 4¹/₂% in 1991 for the Community as a whole. This is largely due to the large rises in Germany and the UK (in the first case be-

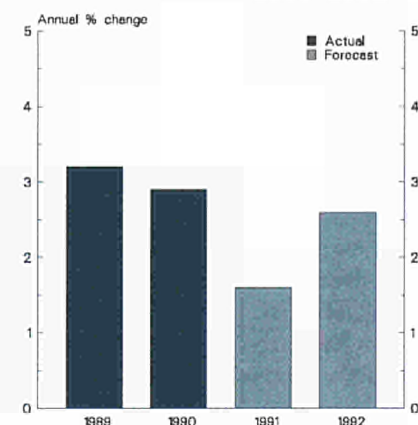
32 Investment

1989–1992



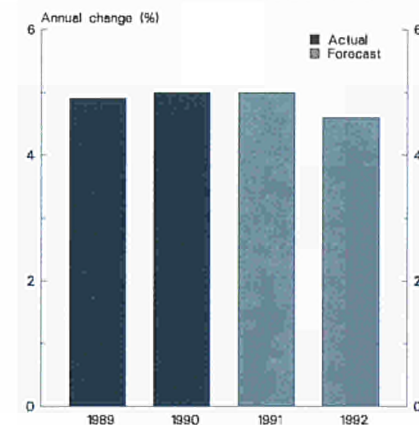
33 Consumption

1989–1992



34 Inflation

1989–1992



cause of substantial public spending in the former Democratic Republic and in the latter because of the severe downturn in economic activity). In some other Member States, despite the slowdown in activity, some reduction is expected.

For the Community as a whole, there should be some reduction in relation to GDP in 1992, with falls in most Member States and particularly in Germany, though not in Italy, the Netherlands or the UK.

External balances worsen

The external deficit of the Community is expected to increase slightly. The current deficit will fall from 0.1% of GDP in 1990 to 0.6% in 1991 and 0.8% in 1992. This is largely because of the sharp deterioration in the German current balance which is expected to change from a surplus of 3% of GDP in 1990 to a deficit of 0.1% in 1991. The Community's trade balance, on the other hand, should improve slightly in 1991 to 0.6% and, in 1992, return to the level of 0.4% of GDP of 1990.

World trade and output: slowdown in 1991, recovery in 1992

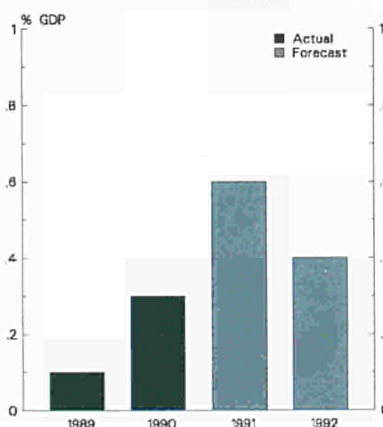
The international environment has been deteriorating since the beginning of 1990. The US, Canada and Australia have been in recession and the acute problems experienced by the Central and Eastern European countries as they have abandoned controls has resulted in a collapse in output there. At the same time, the Gulf crisis has depressed demand which was already weak in most developing countries, particularly in the Middle East and Latin America. Outside the Community, output growth in the rest of the world fell from over 3% in 1989 to 1½% in 1990 and is expected to continue falling in 1991 to only ½%. Some improvement, to a growth rate of over 2%, is forecast for 1992. As a result, the growth of world imports, outside the Community, which had been 6½% in 1989 and which is forecast to fall to under 3% in 1991, is expected to recover somewhat to around 5% in 1992.

Employment creation zero — unemployment rises again

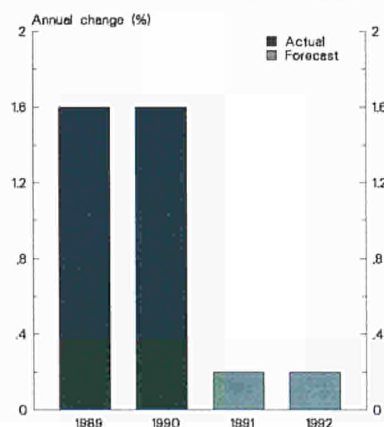
Employment growth, which had averaged 1½% in the period 1988–90, is forecast to fall sharply in 1991 to around ¼%. It is difficult to foresee any improvement in 1992 given the relatively weak recovery in output and given the normal lag between the rise in GDP growth and additional jobs being created.

The very small increase in employment forecast for 1991 is below the expected increase in the labour force of just over ½%. Unemployment is therefore set to rise once more. From an average rate of 8.3% in 1990, it has already risen to 8.7% in May 1991 and is expected to average 8.7% for the year as a whole. It is projected to rise further, to 9.2%, in 1992. These rises are not evenly spread, however, and as noted in Chapter 1, a large part of the increase so far experienced has been in the UK, where output has fallen significantly since 1990 and which is likely to show further large rises in unemployment from 5.7% in 1990 to 10.8% in 1992.

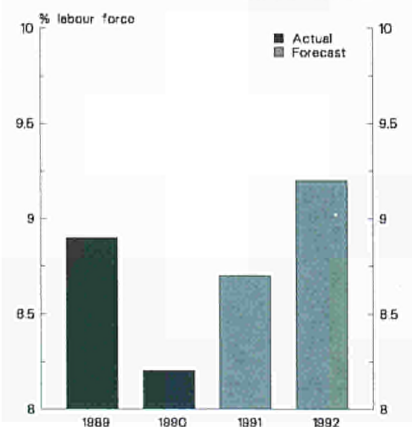
35 Trade balance 1989–1992



36 Employment 1989–1992



37 Unemployment 1989–1992



Chapter 3 The Complex Problem of Persistent Unemployment

Unemployment remains high in the Community and has begun to increase again. Rates are particularly high for women and young people. Tackling the problem means addressing its diverse nature as well as raising employment levels.

Introduction

Recent trends, and the forecasts for Member States for the year ahead, suggest that the problem of unemployment is far from being resolved. Although the Community has just experienced a five-year period of substantial job creation, this served to reduce unemployment but by much less than many were anticipating — and, indeed, by much less than would have been expected on past evidence. In many, if not most countries, unemployment is therefore starting to increase from levels which are already high by historical standards.

While changes in the level of unemployment do not always occur at the same moment in all Member States, they tend, over time, to move roughly in line given that the Community economies are so closely inter-linked. However, the underlying structure of unemployment is far from homogeneous within, and between, the Member States. Certain groups — notably young people and women — tend to have much higher rates of unemployment than others. Moreover, the nature of unemployment varies a great deal between regions and localities. Urban ghettos

and remote rural areas both harbour serious unemployment problems, but the nature of the problems are very different.

This heterogeneity is reflected in the difficulty of measuring and comparing unemployment, even when using sophisticated household surveys. While unemployment is relatively easy to recognise among 'prime age' heads of household in industrialised environments in the more developed regions, it more commonly takes the form of under-employment or inactivity among people in rural areas, or among those with a looser attachment to the labour market.

Thus any attempt to get at the heart of the Community's seemingly endemic unemployment problem needs to go far beyond the simple monitoring of fluctuations in registered unemployment figures. It is necessary to delve deep into the structure of the economy and the labour market in order to explain, for example, why economic expansion has not proved sufficient to resolve the unemployment problems of the Community, and what actions the Community may need to take if it is to meet these challenges in the future.

A Low Rate of Employment

As pointed out in Chapter 1, the Community not only has a high rate of unemployment, it also has a low rate of employment. In other words, the proportion of people of working-age in the Community who are in work is substantially below the figure in comparable parts of the world. Whereas the employment rate averages around 60% in Community countries, in the US, Japan and the rest of Western Europe, it is around 70%.

Differences in rates of unemployment account for less than half of this difference. The major additional factor is the difference between the Community and elsewhere, as regards the proportion of working-age population who are recorded as inactive, and not apparently available for work. In the Community, this amounts to over 30%; in the US and the rest of Western Europe, the figure is only just over 20%.

Differences in the activity rates for women are by far the most important explanation of this difference.

In the Community, about the same proportion of women of working-age are recorded as inactive as are in employment — around 47%. In the US, by contrast, only around 35% are not recorded as being part of the labour force and over 60% are employed while the same is true in other countries in Western Europe (Graph 38). While the rate of inactivity is very unevenly distributed across the Community, with extremely low activity rates in most Southern areas in particular (see Chapter 4), there are comparatively few areas where activity is as high as in the US, or indeed as in countries of Europe outside the Community.

Although there is room for debate about the reasons for this inactivity, the effect on the labour market is indisputable: a significant proportion of any net addition to jobs is filled, not by the unemployed, as

officially recorded, but by people who were previously thought to be inactive. Accordingly, as demonstrated by the experience since 1985, a high rate of net job creation does not necessarily reduce unemployment substantially.

The evidence seems to be that, from the demand side, employers in many cases prefer to take on women who had not previously been in work rather than people who are unemployed. This may be because of their superior qualifications or apparent skills; alternatively, it may be because they are not tainted by having been unemployed and, perhaps paradoxically, more capable of accommodating to a new working environment.

Equally, from the supply side, the evidence suggests that, where there is high inactivity rates among women, this does not necessarily

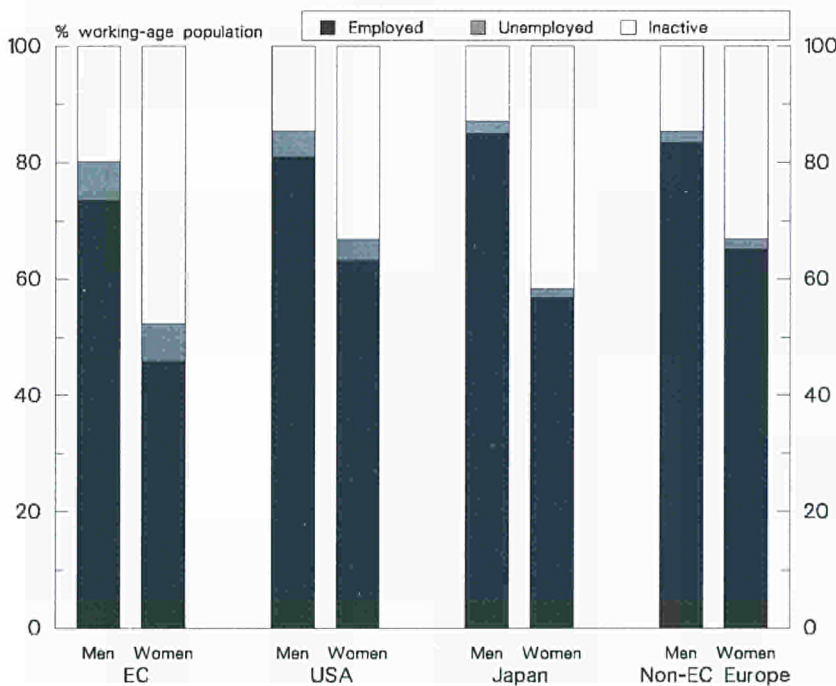
reflect a particular preference for staying at home, in order to look after children or to participate in various social activities, rather than working. While this may be true for many women, it does not appear to be true for the majority, given the way that the employment of women increases whenever there is an acceleration in job creation.

It seems rather that, in most parts of the Community, there are simply insufficient jobs available to employ those who would like to work. Because they have little chance of finding a job, women — as well as many men in some areas — do not bother actively to seek work and are recorded as being inactive. Similarly, women who are taking care of children in areas where childcare facilities are inadequate (which means many parts of the Community — see *Employment in Europe 1990*, Chapter 6), may count themselves as unavailable for work, and therefore be recorded as inactive until provision becomes available — a situation which may have to await increased labour demand resulting in employers beginning to provide childcare facilities as part of their recruitment policies.

The Present Increase in Unemployment

After five years of almost continuous decline, unemployment in the Community began rising towards the end of 1990 as a delayed reaction to the slowdown in economic growth earlier in the year (Graph 39). In the Community as a whole, the rate of unemployment has gone up since November 1990 from 8.3%, after adjusting for normal seasonal factors, to 8.7% in May 1991, the latest figure which is available. Although this might seem a small

38 Activity breakdown of working-age population in the Community and elsewhere 1989



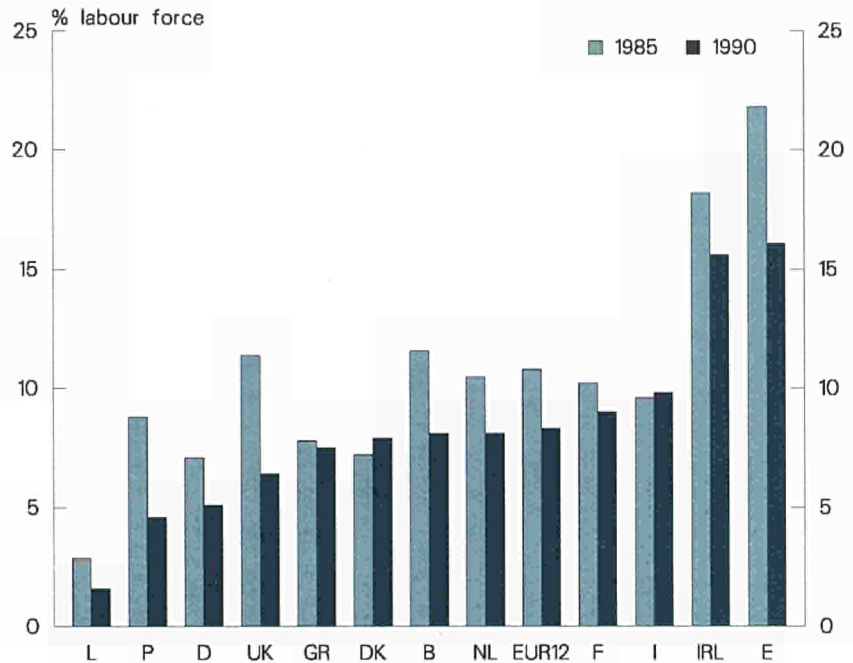
increase, it means that an additional 600 thousand have become unemployed over this period.

The recent rise in unemployment, however, has, so far, been unevenly distributed across the Community. Indeed to date it has been very much concentrated in four Member States: Belgium and France, where the rise has been around the same order as the Community average; Ireland, where it has been significantly greater, at 1.3%; and the UK, which has experienced by far the largest increase, of 1.7% of the labour force and which is mainly responsible for the increase for the Community as a whole.

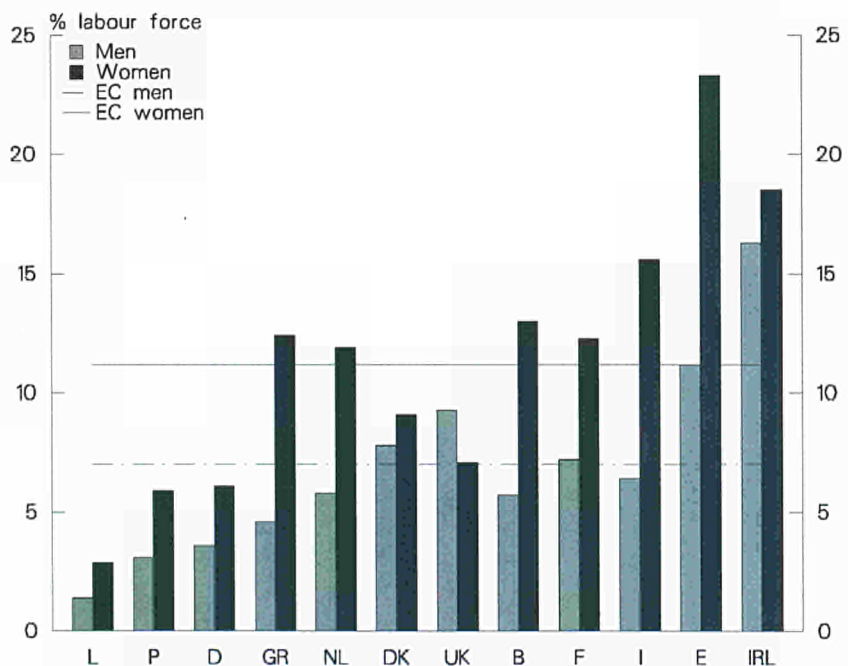
In other Member States, not only has the rise in unemployment been less pronounced, but in a few countries, unemployment has continued to decline over this period. This is especially so in Spain, where the rate of unemployment has come down from 16.2% to 15.5% and Germany, where the rate for what was West Germany has fallen from 4.8% to 4.6%. In the latter case, however, this fall has been accompanied by an increase in unemployment in the old East Germany of well over 800 thousand — based on the figures for those registering at unemployment offices. These figures are not yet included in the Community totals.

The recent rise in unemployment has been fairly evenly divided between men and women across the Community. Only in the UK, has unemployment among men gone up by significantly more than among women, reflecting in part the relatively larger job losses in manufacturing than in services, but also the fact that, in contrast to all other Member States, the rate of unemployment among women is less than among men (Graph 40).

39 Change in unemployment rates in the Member States 1985–90



40 Unemployment rates of men and women May 1991



The rise in unemployment, on the other hand, is not evenly spread between age groups. Just as in past periods of diminishing new jobs creation, it is young people of under 25 years of age who have borne the brunt of labour market contraction as companies, quite naturally, have reacted to falling sales growth by cutting back on recruitment, so hitting young people, especially those coming onto the labour market for the first time. Unemployment among those aged under 25 has therefore increased since November 1990 by 3.8% over the Community as a whole, but by over 11.3% in Ireland and by almost 27% in the U.K. — rises which are over half as large again as those for total unemployment.

The present growth of unemployment is therefore affecting men and women, young people and the long-term unemployed in markedly

different ways. A longer term view, from the mid 1980s to date, shows how these different groups have undergone very dissimilar experiences over this period, reflecting extensive structural changes in the labour market.

Young People in Unemployment 1985 to 1990

As the number of new jobs created increased between 1985 and 1990, so did the recruitment of young people and the ease with which they were able to find work. Partly as a result, the rate of unemployment among those aged under 25 (defined as the number of under 25s who were unemployed, as a percentage of the under 25s in the labour force) declined by considerably more than the rate for other age groups. For

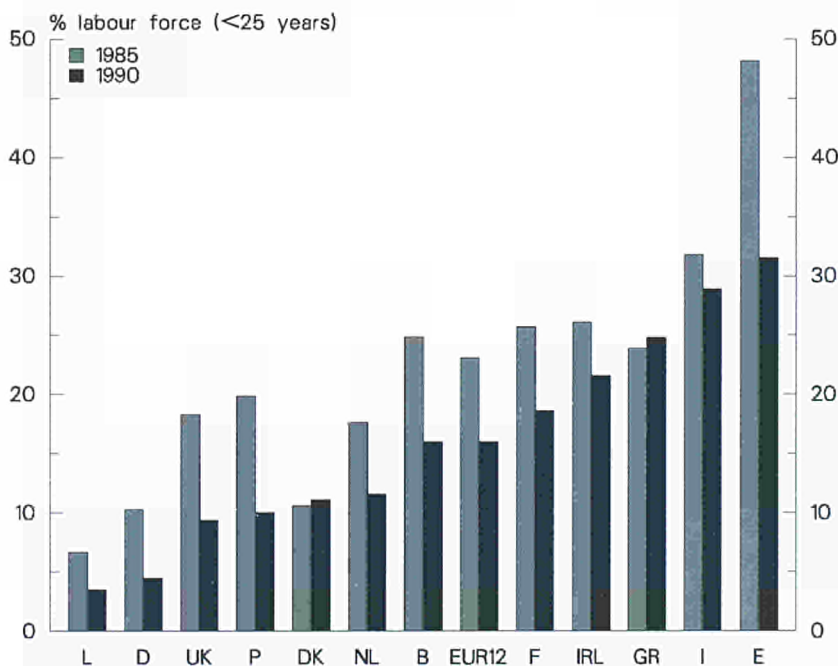
the Community as a whole, the unemployment rate for young people, so defined, fell from 23% to 16% over this period — a decline of 7% as compared with a fall in the overall rate of just under 2.5% (Graph 41).

The fall in unemployment among the under 25s was not only a consequence of a high rate of job creation. It also reflected the changes in the numbers of this age group and variations in participation. The latter were affected by the policies launched over the previous decade and which were specifically aimed at reducing the number of young people who were recorded as unemployed. In several countries, programmes were introduced during this period which effectively guaranteed some form of employment or a place on a training course for particular groups of young people.

In the UK, for example, young people leaving school at 16 without a job were found subsidised employment for a period of at least a year. The decline in unemployment among young people was partly for this reason particularly pronounced in the UK with the rate falling from over 18% to under 10% between 1985 and 1990. It was also substantial in Belgium, Portugal and Spain, in each of which the rate fell by over 8% of the under 25 year-old labour force. In consequence in a number of Member States, the efforts to provide work and/or training for young unemployed people were beginning to be relaxed in the last year or two as the problem diminished in scale.

Nevertheless, in 1990 and before the upward pressure on unemployment began to make itself felt in a number of Member States, the rate of unemployment among young people was still considerably higher than among the labour force as a whole — virtually double for the

41 Change in the unemployment rates of young people in the Member States 1985-90



Community as a whole (16% as against just over 8%).

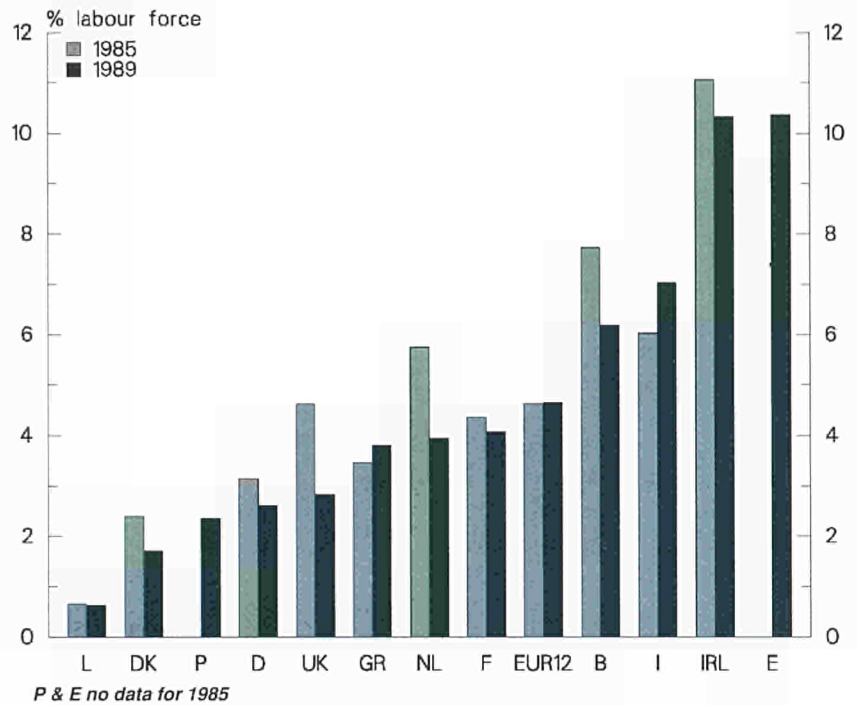
Long-term Unemployment 1985 to 1989

The rise in employment between 1985 and 1990 brought little relief to the problems of the long-term unemployed. In the Community as a whole, the number of long-term unemployed (those unemployed for over a year as a percentage of the total labour force) remained constant at just under 5% between 1985 and 1989 (the latest year for which figures are available) (Graph 42). Thus long-term unemployed still accounted for around half of all people out of work on the latest figures available — the same proportion as in 1985 before the major expansion in employment began (Graph 43).

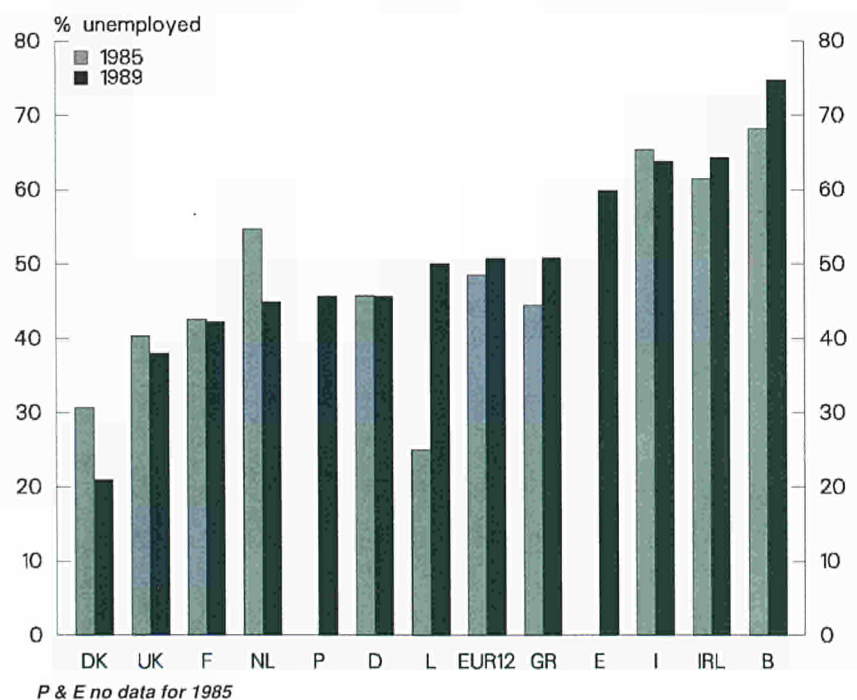
The change in long-term unemployment since 1985 in the Member States has been broadly in line with the changes in the total rate of unemployment. Countries such as the UK, Belgium, Portugal and Spain — which succeeded in reducing total unemployment significantly up to 1990 — also experienced a fall in the rate among those unemployed for more than a year. Those countries in which unemployment remained broadly unchanged or even increased slightly — Greece and Italy — showed a small rise in the rate of long-term unemployment.

Only in two countries — Denmark and the Netherlands — did the proportion of the unemployed who had been out of work for more than a year show any significant decline between 1985 and 1989, in both cases by around 10% of the unem-

42 Change in long-term unemployment rates in the Member States 1985–89



43 Change in the share of long-term unemployed in the Member States 1985–89



ployed. In all other Member States, the proportion remained broadly unchanged or increased. Indeed, even in Belgium where both the overall and long-term rates of unemployment fell significantly over this period, the proportion out of work for more than a year rose markedly. The increase took the proportion of the unemployed who had been out of work for over a year to around 75% — the highest in the Community and well above the proportion in the less developed (or partly less developed) countries of Greece, Spain, Ireland and Italy.

Despite the programmes launched by Member State governments, and by the Community as a whole, to tackle the problem of long-term unemployment which emerged in the early 1980s, and despite the recovery in economic activity in the five years up to 1990, long-term unemployment remained serious even

before employment growth slowed over the past months.

Men's and Women's Unemployment

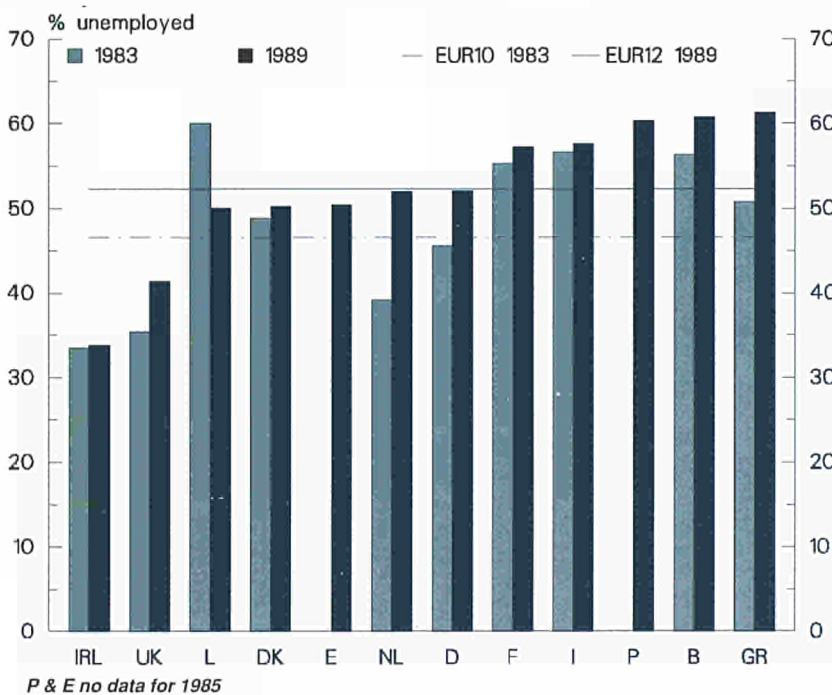
As seen above, the rate of unemployment among men has decreased by significantly more than the rate among women since 1985. Indeed, over the Community as a whole, while the number of women out of work fell by around 600,000 between 1985 and 1990, the number of men unemployed fell by almost 3 million, or by five times as much. This differentiation is reasonably uniform across the Community, although it is particularly pronounced in Spain and the Netherlands, where the unemployment rate for women declined only marginally over this period, whereas the rate for men fell sharply. There are, however, a few excep-

tions. In Belgium, the unemployment rate among women declined by over twice as much as that for men during these years (by 5.6% of the labour force as against 2.3%). Similarly in Portugal, the fall in the rate for women was greater than that for men, while in Denmark, female unemployment declined marginally over the period whereas the rates for men rose by 1.5% of the labour force.

Despite these movements, the rate of unemployment among women is higher than that for men in all Member States apart from the UK — in some cases substantially so. In particular, in all the Southern European countries the rate of unemployment of women is at least double the rate for men. In Greece it is nearly three times as great. Although the difference tends to be smaller in the Northern countries, unemployment of women is still over 75% higher than that of men in France, Germany (excluding the former East Germany) and the Netherlands. Belgium, in this respect, is on a par with the Southern European countries, i.e. with a female rate well over twice that of men.

These differentials in unemployment rates mean that, despite the fact that the number of women in employment in the Community is considerably less than the number of men — only around two-thirds as much on average — women now make up more than half of the total numbers recorded as being out of work in the Community as a whole (Graph 44). In Greece, Belgium and Portugal, the proportion is as much as 60% and in Italy it is only marginally less. At the other extreme, in Ireland and the UK, the only two Member States where women make up significantly less than half the numbers of unemployed, the proportion is 35–40%.

44 Women's share of unemployment 1983 and 1989



In Ireland, this partly reflects the relatively small number of women in employment and, conversely, the high level of inactivity — or non-participation in the labour force — in this country. It may also partly reflect the low rate of registration at employment offices, which may be a factor, too, in the case of the UK.

Registration of unemployment

In Ireland and the Netherlands, less than half the number of women recorded as being unemployed (in the sense of actively seeking work) were registered at employment offices in 1989. In the UK, the figure was even lower at 40%. In all three cases, these proportions represent not much more than half the registration rate for men. In all other Member States, except Portugal, where registration of men is markedly lower than that of women, registration rates for men and women were very similar (Graph 45).

The existence of low registration rates raises questions about the accuracy of the unemployment figures recorded. The higher the rate, and the more incentive there is to register, the more likely it is that the results obtained from the Labour Force Survey will give a reliable indication of the actual numbers unemployed. Moreover, since a Labour Force Survey — which is the basis of the comparable figures for unemployment presented here — is conducted only once a year, in countries where the rate of registration is low, the monthly estimates of unemployment are inevitably subject to a greater degree of error, which may be significant at times when job losses are high and employment creation low.

In the UK and Ireland, therefore, the low rate of registration suggests that unemployment among women may be under-recorded. The same can be said of Portugal and Greece. In these cases, however, it applies not only for women but also for men. In Greece, only around 10% of men and women recorded as unemployed were actually registered in 1989, while in Portugal registration is heavily dependent on the right to claim unemployment benefit or social security payments.

In some Member States, government agencies play a significant role or even, in theory, a monopoly role — in helping people to find employment (and companies to find employees for vacant positions). Consequently, the incentive to register the fact of seeking employment is high. Germany and Spain, for example, fall into this category. In other countries, private employ-

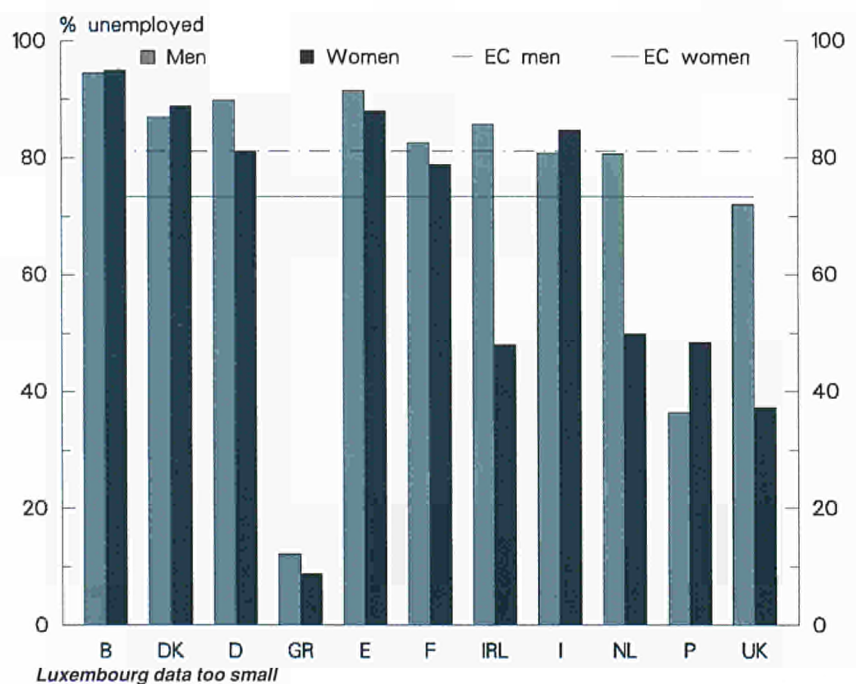
ment agencies, or informal channels, are more important and the State plays a minor role in assisting job search.

Low registration rates in some countries mean that many unemployed women have no contact with the employment agencies, and no access to official information on jobs and training opportunities.

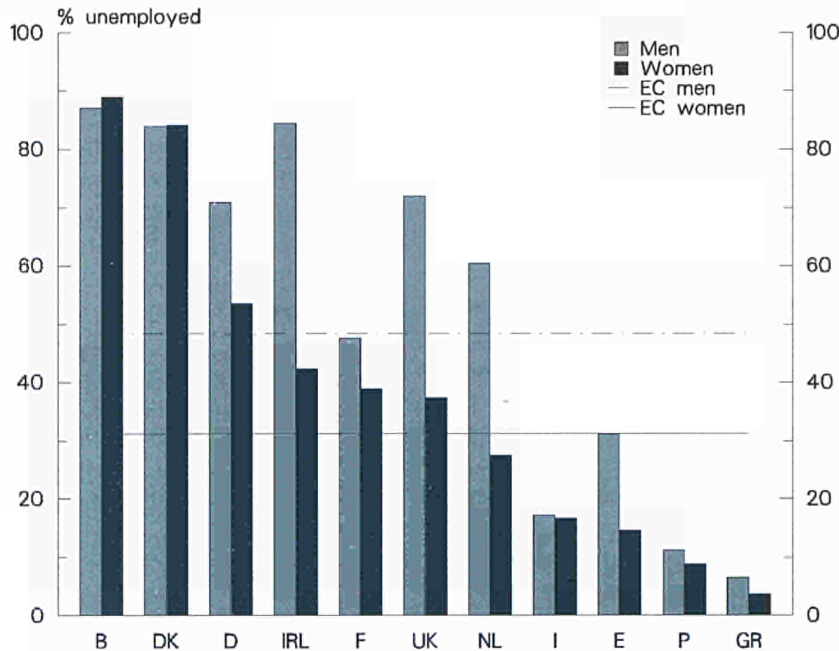
Receipt of unemployment benefit

Eligibility for receiving unemployment benefit is a major incentive for registering the fact of unemployment. In the Community as a whole, in 1989, only around half of the men recorded as unemployed were in receipt of unemployment benefit, and only just over 30% of women received benefit. In those countries where

45 Share of unemployed registered at an employment exchange 1989



46 Share of unemployed receiving benefit 1989



Luxembourg data too small

the registration rate was highest — Belgium, Denmark and Germany — the proportion of the unemployed receiving benefit was also the highest. Similarly, at the other extreme, in Greece and Portugal where the rate of registration was low, only a small proportion of the unemployed were in receipt of benefit in 1989 (Graph 46).

The fact that, in many Member States, only a relatively small proportion of the unemployed are in receipt of unemployment benefit does not necessarily mean that they are receiving no financial support at all from the State. In many countries, entitlement to unemployment benefit is of limited duration and after that time it is replaced by other payments. Countries where long-term unemployment is high and which have time limits on the receipt of benefit — Spain and Italy, in particular — naturally tend to have low proportions of the unemployed receiving benefit. Moreover, in the case of the UK, Ireland, and the Netherlands, where registration rates among women are considerably below those for men, the proportion of women receiving benefit is also substantially less than that of men.

47 Latent unemployment — People discouraged from seeking employment as a share of the potential labour force 1989



No data D,F

In some countries, the benefit received may not be linked directly to unemployment at all but to another aspect of the individual's circumstances. In particular, in the UK, Ireland, the Netherlands, France and Germany, lone parents (usually mothers) supporting dependent children, are eligible for income maintenance, and are also exempt from the requirement to register at employment offices. While such mothers, therefore, are unemployed and may be seeking a job, they may not be officially registered as such.

The discouragement factor

Although the Labour Force Survey sets out to count all those who are unemployed or looking for work, and not just those who are registered at employment offices, it inevitably misses many, perhaps a great many in certain regions at certain times, who would take a job were one available. In order to appear as unemployed in the Survey, the person concerned needs to have taken concrete steps to find a job, such as answering advertisements. Otherwise, people out of work are recorded as being inactive or not available for employment. A proportion of these, however, may possibly want to start to work, but believe that they would not find a job even if they looked actively, either because they live in areas where no work is available or because they feel disadvantaged because of their age, sex or lack of skills or qualifications.

The LFS attempts to identify such people and classifies them as 'discouraged workers', i.e. people who might, with encouragement or with an expansion in the jobs available, take up employment without ever being recorded as unemployed. The responses to the LFS question, together with estimates for those countries where the question seems to have been inadequately answered or not at all, suggest that over one million of the people recorded as 'inactive' in the Community in 1989 were, in fact, discouraged, or potential, workers. Incorporating these 'inactive' people into a 'potential labour force' would cause the unemployment rate in the Community to be revised upwards by about 1% overall and by nearly 2% for women (Graph 47). Such potential members of the la-

bour force seem to be especially numerous among women in Italy — where they are estimated to have accounted for over 5% of the potential labour force in 1989 — and Ireland — where the estimate is around 2%. In all Member States, for which data are available, with the exception of the UK, a significantly higher proportion of women than men on these estimates were unemployed, but not recorded as such. It would seem, therefore, that the full rate of unemployment among women in many parts of the Community is even higher than official estimates indicate.

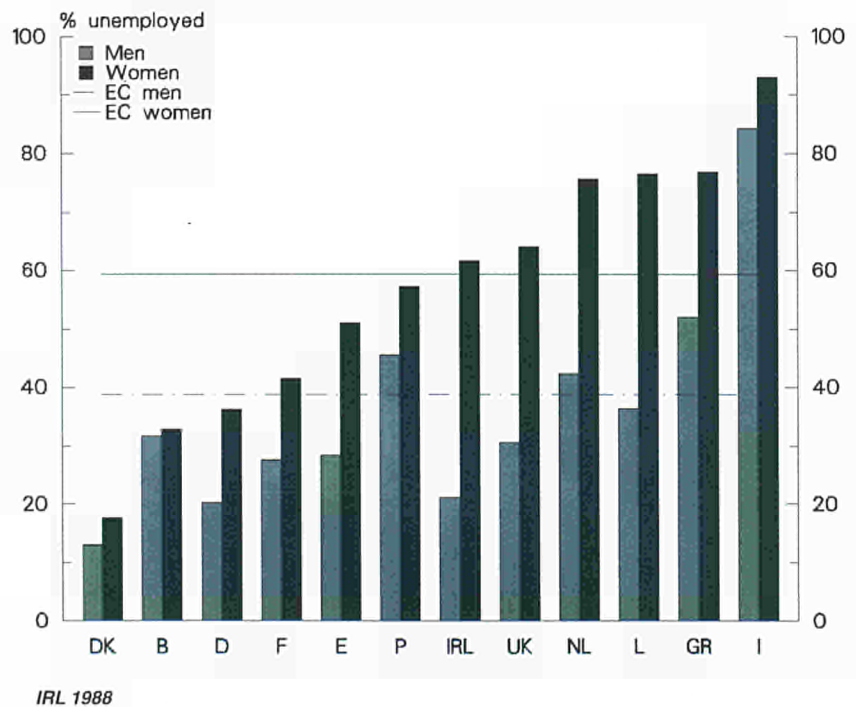
Attempts to identify discouraged workers, or the true numbers of unemployed by this method are, however, only likely to scratch the surface of the problem. As noted earlier in the Report, the rate of employment in the Community, and among women especially, is

well below that in other comparable parts of the World. On this basis, the numbers who are in the potential labour force, but who are not recorded, might be considerably higher (see Chapter 4).

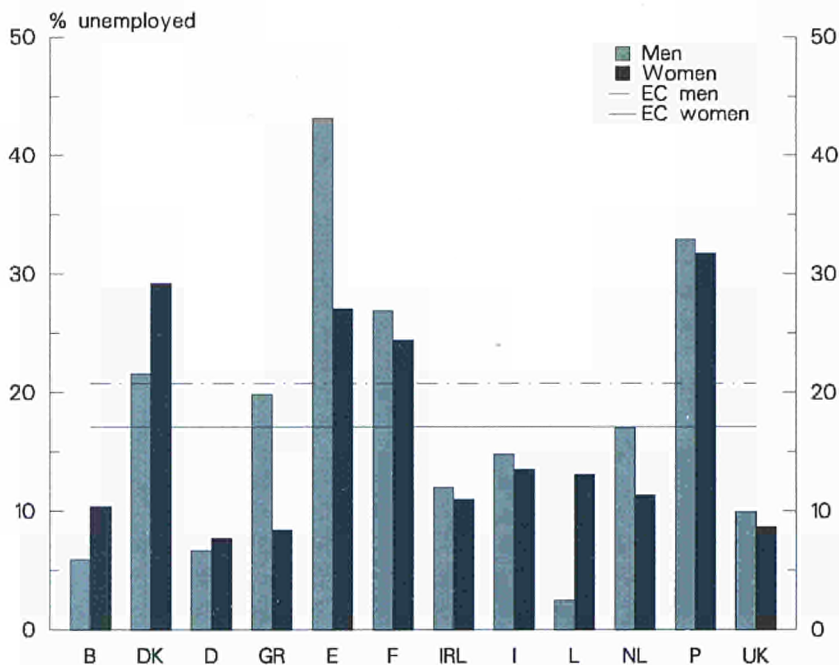
Prior Status of the Unemployed

A high proportion of people who take up employment were not recorded as unemployed before beginning work. Equally, a significant proportion of those who become unemployed were previously recorded as inactive. This, at least, is the evidence from the LFS (Graph 48). Indeed, in 1989, 60% of women in the Community as a whole, and 40% of men, who were recorded as unemployed had formerly been counted as inactive and therefore not part of the labour force at all. In four countries (Italy,

48 Share of unemployed men and women recorded as inactive before job search 1989



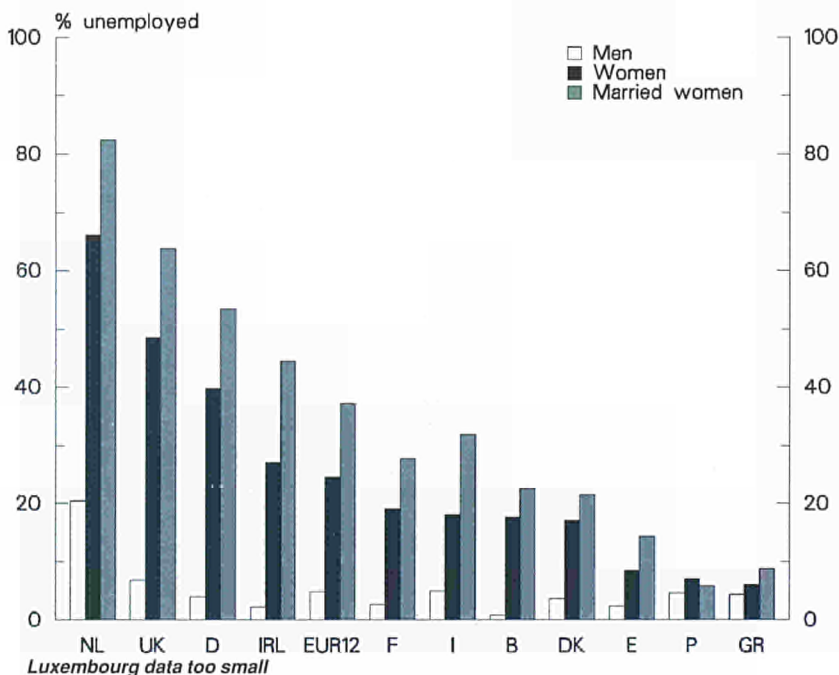
49 Share of unemployed who are unemployed because of the expiry of a temporary contract in the Member States 1989



Greece, Luxembourg and the Netherlands) the proportion of women falling into the category exceeded 70%. On the other hand, in Denmark, Belgium and Germany, the proportion was less than 40%. These three countries also had relatively high rates of registration of unemployment among women.

This evidence suggests that the difference between being recorded as unemployed, as opposed to inactive, may not be clear-cut, and that similar people, in similar circumstances, may be recorded differently from year to year. Secondly, it may suggest that, since the last few years were generally a favourable time for finding employment because of the high rate of net job creation, there was more incentive for those out of work to look for a job, and for those who were inactive to become formally unemployed.

50 Share of unemployed looking for part-time work 1989



It is noteworthy too that, of the unemployed who had been previously in employment, a significant proportion had been working on the basis of a temporary contract. For the Community as a whole, over 20% of unemployed men in 1989 were out of work because a temporary job had come to an end, while 17% of women fell into this category (Graph 49). In the case of men, this represents a third of those who had previously been working as opposed to inactive. In the case of women, it represents over 40%. This figure, however, varied significantly from country to country, being highest in Spain and Portugal and lowest in Belgium, Germany and the UK, although these variations need to be interpreted with care given the differences that exist between the Member States in terms of employment legislation.

The Kinds of Jobs Sought

Not all those recorded as unemployed are looking for a full-time job. Significant numbers, especially of women, would prefer to take part-time work if they could find a job. In the Community as a whole, almost 40% of married women and 25% of all women were looking for part-time employment in 1989 as opposed to only 5% of men (Graph 50). In Germany, the Netherlands and the UK, however, the proportion for women was around 40% or more — over 60% in the case of the Netherlands — and the figure for married women was over 50% — over 80% in the case of the Netherlands — and the figure for married women was over 50% — over 80% in the case of the Netherlands. At the other extreme, less than 10% of Spanish, Portuguese and Greek women who were unemployed were looking for part-time employment.

This evidence needs to be interpreted carefully, however. The responses of women could be very different if adequate childcare facilities were available (see *Employment in Europe 1990*). Moreover, it is notable that the proportions of women looking for part-time work are closely in line with the jobs available. The Netherlands and the UK not only have a high proportion of part-time employment but, in recent years, a high proportion of the net additional jobs have been for part-time workers, especially for women part-time workers.

Unemployment among Households

Contrary to the view that wives can often substitute as earners when husbands become unem-

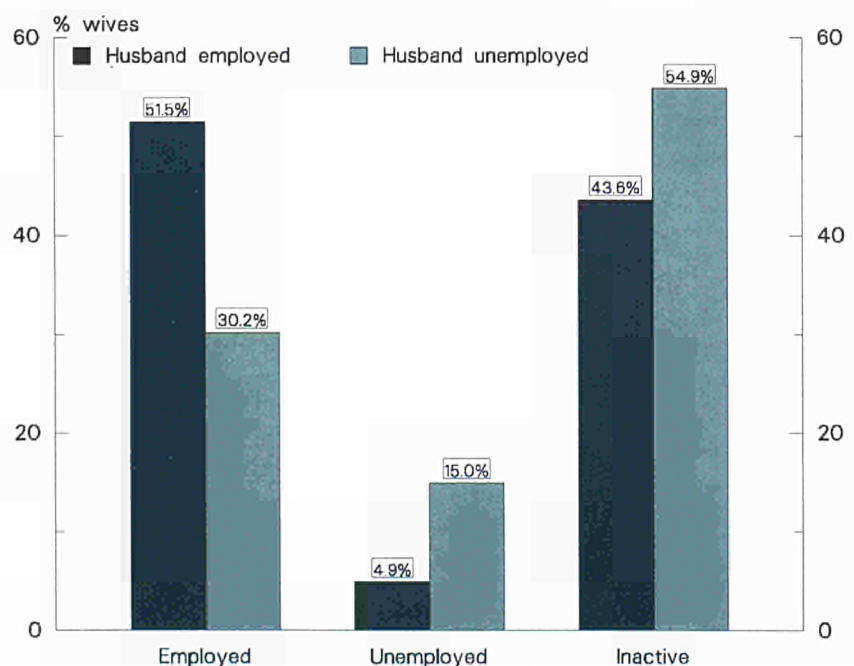
ployed, it appears that the employment fate of husbands and wives are closely linked. Belonging to certain types of households can double, or triple, the incidence of unemployment for women, particularly if they are mothers.

Details of the economic status of wives — whether employed, unemployed or inactive — in different types of households were provided in the LFS for 1989. In the Community as a whole, the proportion of wives in households with an employed husband who were themselves working was considerably higher (51%) than those with an unemployed husband (30%) in 1989. Similarly, the proportion of wives unemployed was higher (15%) when their husbands were unemployed, than when their husbands were employed (5%) (Graph 51).

In all Member States, except Luxembourg, the proportion of wives who were employed was higher where the husband was also employed than when he was unemployed. In the UK, for example, over 60% of wives of employed husbands were at work in 1989 compared to less than 30% of the wives of unemployed husbands.

Part of the explanation, obviously lies with the available employment opportunities in the locality where the people concerned live. Part also may lie in the improved job opportunities for family members when there is a job holder with job contacts in the household. A third explanation concerns the levels of education of husbands and wives. The higher the education level of women, the higher their labour force participation tends to be. Husbands and wives with similarly

51 Employment status of wives in relation to employment status of husbands in the Community 1989



lower levels of education may find themselves equally restricted regarding job opportunities on the labour market.

The situation of women in the household, particularly the presence of young children, has a further effect on women's employment rates. Graph 52 compares the unemployment rates of three categories of women: those under 40 years old; those under 40 with at least one child aged 0-9 years old; and lone mothers under 40 with at least one child aged 0-9 years old.

In the eight Northern Member States, there are important variations in the unemployment rate between the three categories. In the Netherlands, for example, the unemployment rate for women under 40 was 12% in 1989, but rose to 45% for lone mothers. Similarly, in the UK the unemployment rate for

women under 40 was 8%, but rose to 13% with the presence of a young child and more than tripled to 28% for lone mothers with a young child. For the Southern Member States — Greece, Italy, Portugal and Spain — on the other hand, there were no discernable differences in the unemployment rates of the different groups of women.

Conclusions

While the issues are complex, and further investigation is required, a number of general conclusions can be drawn.

First, the low employment rates, and the rapidity with which new entrants appear on the labour market as soon as new jobs appear, shows how extensive is the hidden labour supply in the Community. Thus, long periods of economic

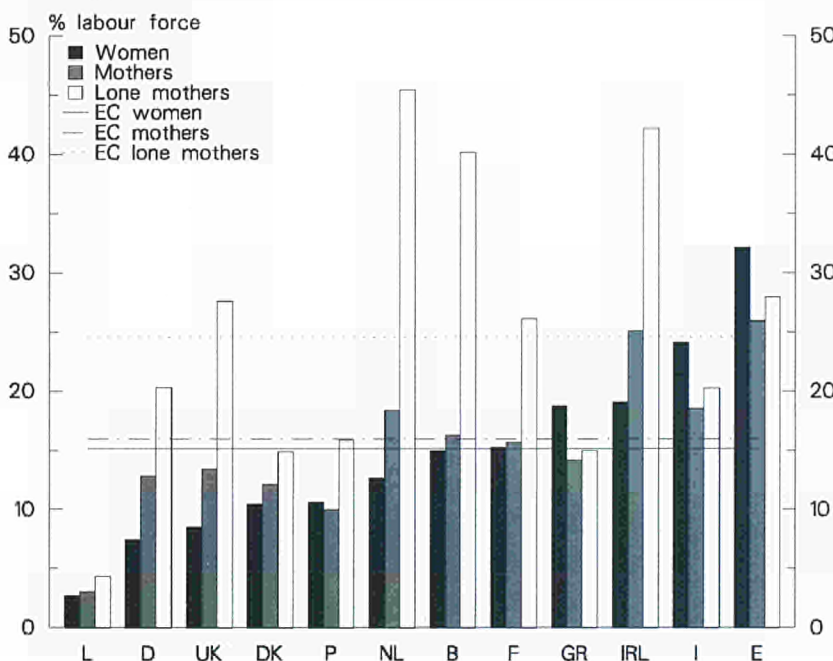
growth, and consequent employment growth, are a necessary condition in order to reduce unemployment to acceptable levels.

Secondly, while much unemployment and under-employment remains unrecorded, the structural component of registered unemployment is now very large. The long-term unemployed have not benefitted much from employment growth. As things stand, many of these people seem to have to wait until the employment needs of the hidden labour supply have been met before they get their turn.

Thirdly, while rising unemployment of the sort currently being experienced will undoubtedly bring calls for specific short-term action — for sectors, for localities, for young people, for women, and so on — more fundamental changes seem to be required if the Community is to tackle the unemployment problem on a lasting basis. Such changes will need to encompass many things — the role of legislation, social security arrangements, employers' (public and private) employment and recruitment practices, education and training systems, and so on — all of which determine the way in which economic developments are translated into employment, and the way in which people gain access to the labour market. Without these changes, there is every risk that unemployment will remain endemic in the Community, resistant even to unsustainable rates of economic growth.

Many lessons have been learnt in the 1970s and 1980s about the design of special measures and policies for tackling unemployment and improving the functioning of the labour market. Policies of the 'traditional' type — public works programmes, enterprise creation,

52 Unemployment of women aged under 40 in relation to parental status 1989



and wage subsidies will continue to have their place, but for a more restricted range of target groups and local labour markets than before.

Emphasis has now switched to training and other measures designed to fit the long-term unemployed into existing job possibilities. This change has partly been due to the high cost of job-creation schemes but also to the improved labour market outlook in the late 1980s which encouraged a move away from measures designed to alleviate mass unemployment to those which concentrated on improving the productive potential of the unemployed. Nevertheless, in some countries, especially France and Denmark, large scale off-the-job training programmes have been part of the policy package for several years.

The development of innovative placement measures such as job clubs offers a lower-cost alternative to traditional measures. Measures which improve the abilities of the long-term unemployed — through vocational training or improvement in job application skills — can also help them overcome the discrimination they face in the labour market. This emphasis on vocational training and job-search skills for the unemployed is most in evidence in France, the Netherlands, Ireland, Portugal and the UK. However, these types of measures have been found to be most successful for clients who are 'job-ready', and in

local labour markets where there is a ready supply of vacancies. They are much less effective in very depressed local labour markets.

Interviews aimed at counselling the unemployed, preventing them from slipping into the trap of long-term unemployment, and greater emphasis on effective targeting of measures were major policy developments of the 1980s. One of the challenges of the 1990s will be to develop sensitive forms of counselling for the long-term unemployed, having regard for their social problems and allowing them freedom of choice in the labour market. Allowing individuals freedom of choice in the labour market may increase the length of time they take to find a job but such an approach is more likely to result in the individual taking an appropriate, and lasting, job.

Information is a major obstacle to the improvement of actions to combat unemployment. A comprehensive evaluation process both allows the effectiveness of a policy to be improved and provides the information required to assess the effectiveness of proposed actions. Within the European Community's ERGO programme (see *Employment in Europe 1989*), a large-scale programme of evaluations of local actions in favour of the long-term unemployed has been undertaken. Comparisons of the effectiveness of such policies can thus be more readily made on the basis of European-wide experience.

Part II Employment Issues

Chapter 4 European Integration and Regional Labour Markets

Chapter 5 Employment in Agriculture: Decline and Diversification

Chapter 6 Employment in Industry: a Decade of Change



Chapter 4 European Integration and Regional Labour Markets

As 1992 approaches, differences in employment conditions remain wide between the less developed regions and the rest of the Community. Little progress was made in the 1980s in narrowing the gap in jobs opportunities and unemployment rates.

Introduction

The economic and monetary unification of the Community is gathering pace. The Internal Market is well on target for completion by 1992 and, while the timetable for the establishment of Europe's future monetary system still remains to be settled, monetary cooperation has strengthened with the entry of the UK into the ERM network.

As far as employment issues are concerned, the focus so far has been largely on the aggregate effect of unification on growth and employment, as treated in the Cecchini Report or on the implications for particular sectors (*Employment in Europe 1989* Chapter 3).

However, other possible impacts need to be considered. Economic and social cohesion is a central objective of the Community, which needs to be maintained and strengthened. It is important, therefore, that the unification process not only increases aggregate performance but also acts to

narrow disparities in real income and employment opportunities between different parts of the Community, and indeed between different social groups.

This chapter seeks to highlight the nature and scale of the challenge which confronts the Community in its efforts to ensure that people in different areas have comparable opportunities to find decent jobs, and to assess how far recent experience suggests that the Community is converging in employment and labour market terms.

The focus on regional differences in employment and labour market supply conditions is required because, as the process of unification takes place, the economic relevance of national boundaries will progressively diminish. At the same time, the creation of a single economic space within the Community implies that the regional balance in the demand for, and supply of, labour will increasingly become a matter of general Community policy concern and not just that of the Member State concerned.

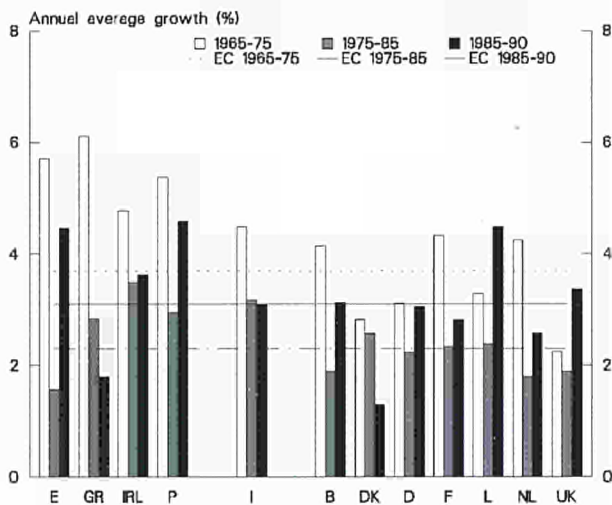
The Process of European Labour Market Integration

Up to now, movements of labour, or indeed capital, in response to demand and supply imbalances have largely taken place within national borders. The scale of transnational flows of labour, with notable exceptions, have been relatively small and have decreased, rather than increased in recent years. In effect, economic adjustments between Member States occurred more through trade and exchange rate adjustments than through movements of factors of production.

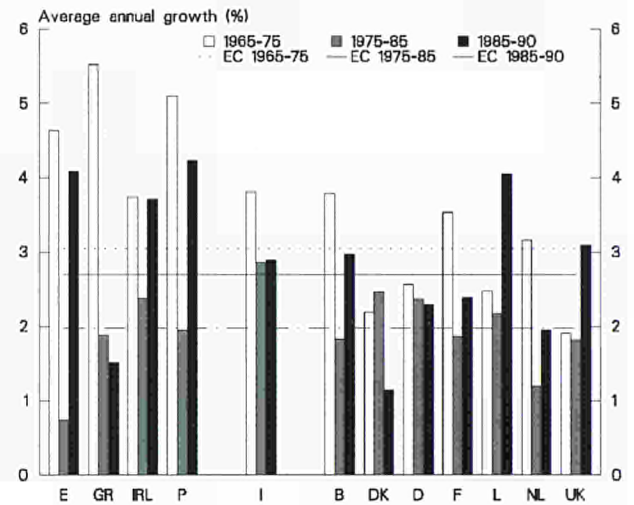
It is possible that this could change as a result of further integration measures and the economic forces which they are designed to release. On the other hand, in terms of the pursuit of greater economic and social cohesion, it is important that a balanced development is achieved, not only as between Member States, but also as between regions. Large movements

Output, Income and Investment in the Developed and Less Developed Member States

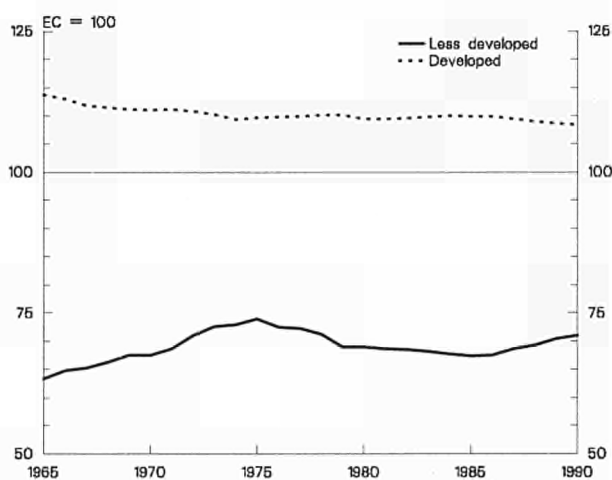
53 GDP growth
1965-75, 1975-85, 1985-90



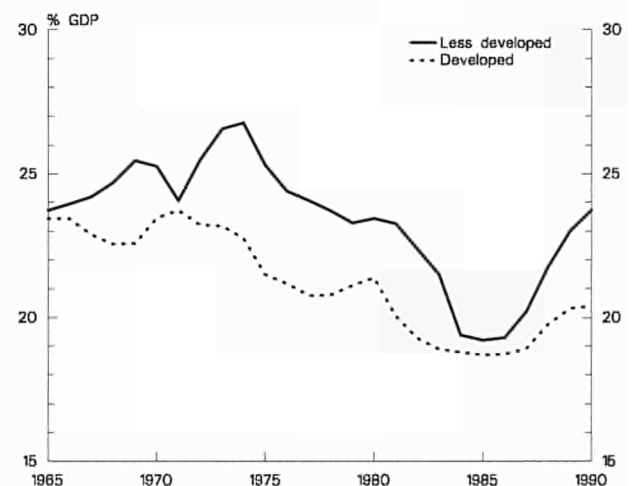
54 Growth of income per head
1965-75, 1975-85, 1985-90



55 Trend in average income per head
1965-1990



56 Trend in investment 1965-90



of labour from one area to another are liable both to widen disparities in economic performance, as the workforce in weaker regions is depleted, and to add to congestion and environmental problems in the stronger regions.

Long-term trends in economic growth and real income in Member States are reviewed in this chapter. However, particular attention is paid to the period 1985 to 1989. This is not only because it is the longest period for which reasonably consistent regional data are available. It is also because it was a period when there was sustained growth of output and an especially high rate of employment growth in the Community as a whole.

The impact of high economic growth rates on unemployment and labour force participation, as between regions, is studied in order to be able to anticipate what degree of progress might be achieved if such growth rates could be sustained in the future.

The chapter begins by examining whether there has been any long-term convergence or divergence in GDP growth, income per head, employment creation and unemployment as between Member States of the Community over time.

The main emphasis, however, is on identifying future employment needs in different parts of the Community, based on their expected growth in working-age population and prevailing levels of unemployment and inactivity. Differences in numbers in employment relative to working-age population across the Community are examined, and estimates

made of the relative importance of concealed labour supply as compared with recorded rates of joblessness.

A particular focus is on differences between the less developed regions, as defined for Community Structural Fund purposes, and the rest of the Community, since the success or failure of the unification process will be judged not only by its effect on aggregate economic performance but also by the benefits it brings to the poorest, most economically deprived areas.

Developments in the structure of employment between regions are also considered, notably in terms of:

- the sectoral shifts in employment across the Community to see whether the direction and scale of general trends — the growth of services and the decline of agriculture (as discussed more fully in Chapter 5) — are similar in different areas, the weaker as well as the stronger regions;
- the implications for employment of demographic variations, in particular, differences in dependency ratios — i.e. the proportions of the population not in paid employment — from one area to another;
- migration flows between Member States and regions in order to identify the main directions and scale of labour force movement within the Community;
- variations in labour costs between different regions to see how much of an incentive they offer businesses to relocate production from one area to another.

Convergence in Economic Performance

Achieving real economic convergence of the different regions and areas of the Community is the process of bringing together their economic and social standards and the reduction of disparities in relative levels of income per head.

Over the past 25 years, the less developed countries of the Community have tended to show a higher rate of economic growth than the more developed Member States. This was particularly so in the ten years between 1965 and 1975, when Spain, Portugal, Greece and Ireland all grew much faster, in terms of GDP, than the rest of the Community, the difference averaging around 1–2% a year (Graph 53). Italy, whose Southern regions are among the least developed in the Community but whose Northern regions are among the most prosperous, also grew significantly faster than the Community average.

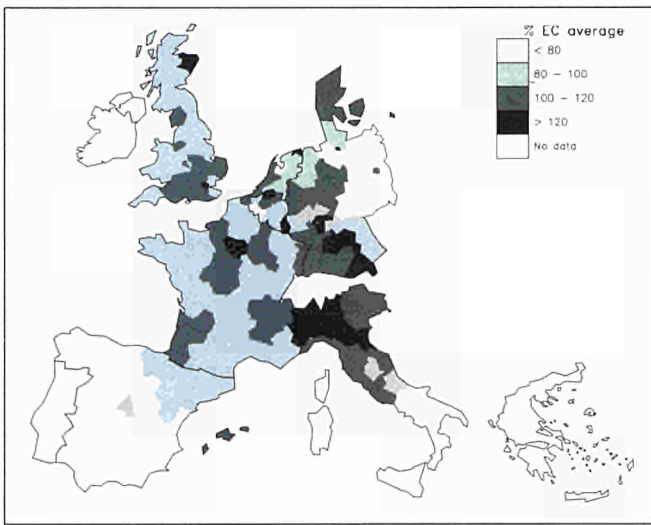
In the following ten years, 1975 to 1985, the experience was more mixed, with Spain growing by only 1.5% a year — a slower rate than any other Member State — and growth in Greece and Portugal averaging only 0.5% a year more than the Community average. Ireland was an exception, continuing to grow at 3.7% a year over this period.

Between 1985 and 1990, there was a dramatic improvement in the growth performance of Spain, with its growth rate exceeding the Community average by 1% a year. Portugal also achieved a similarly high growth rate. Ireland fell back

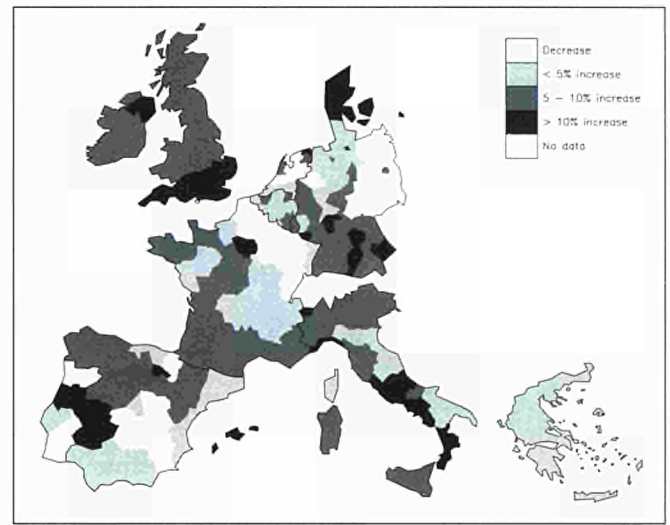
Trends in Average Income per Head

57 Income per head

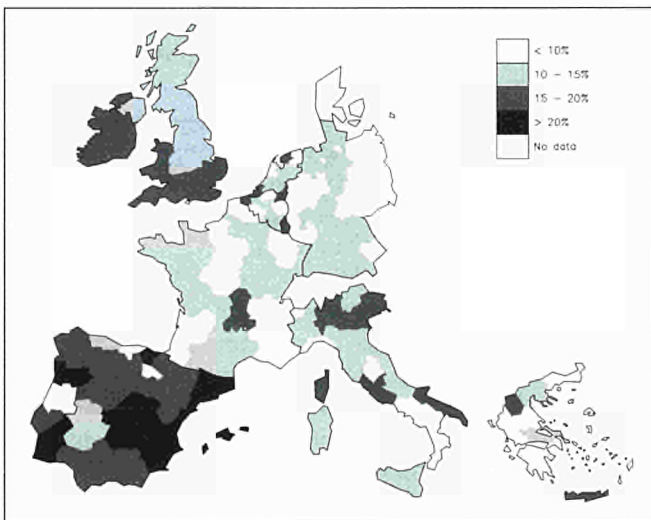
1989



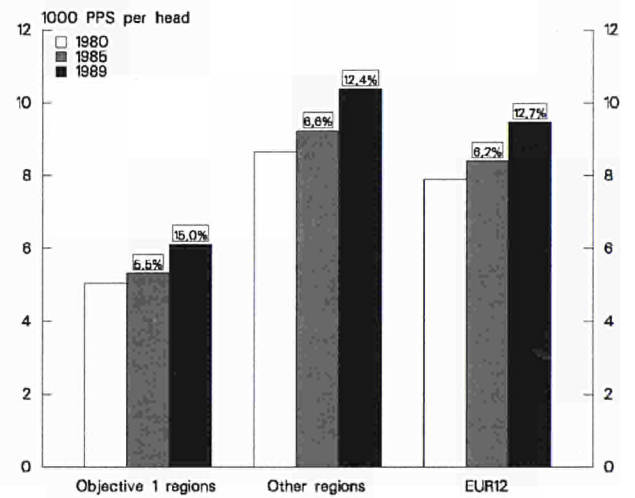
58 Change in income per head 1980-85



59 Change in income per head 1985-89



60 Income per head in Objective 1 regions and elsewhere 1980, 85, 89



a little in relative terms, although its rate of GDP growth was still slightly better than average, while the Greek performance deteriorated considerably, its average growth rate being under 2% a year — over 1% below the Community average. Growth in Italy was around the average.

The relative growth performance of the less developed countries since 1965 suggests progress in real convergence over this period as a whole. However, account has also to be taken of differences in relative rates of population growth. Since this has been much higher in the less developed countries than elsewhere in the Community over much of the past 25 years, GDP growth needed to be higher simply to maintain relative real income levels.

In fact, although growth rates in the less developed countries in the period 1965 to 1975 were more than sufficient to compensate for their higher growth of population, in the following ten years — 1975 to 1985 — GDP growth was not sufficient to offset the higher population growth, except in Ireland (Graph 54). The gap in income per head between the more developed and less developed Member States, which had narrowed appreciably over the preceding ten years, widened again (Graph 55).

Since 1985, Spain, Portugal and Ireland have again enjoyed growth in GDP per head well above the Community average — by 1% a year more — and the average gap in real income per head between the richer and poorer countries narrowed perceptibly between 1985 and 1990. In Greece, however, growth in output per head was over 1% a year below average.

Despite these improvements, the income gap remains substantial. In 1990, the average level of real income in the four less developed Member States (measured in terms of purchasing power standards to allow for differences in consumption patterns) was less than 70% of the average level in the seven more developed countries (excluding Italy from the comparison because of the differences between the North and South). This difference is the same as it was 15 years earlier, in 1975.

Fixed investment is important for strengthening productive capacity over the long-term and the less developed countries have had, on average, a consistently higher level of expenditure in relation to GDP than the rest of the Community. The difference has followed closely the relative rates of GDP growth, widening between 1965 and 1975 when the growth performance of the less developed countries was superior, narrowing significantly over the next ten years when growth fell, and widening again after 1985 (Graph 56). This illustrates the role of GDP growth in stimulating the investment required to support and reinforce the growth of output and real income.

Regional Trends in Income per Head

Income per head, of course, varies much more between regions across the Community than between Member States. In 1989, the average level of income per head (measured in terms of purchasing power standards) in all regions of Ireland, Portugal, Southern Italy and Greece and almost all regions of Spain was over 20% below the Community average. In contrast, in a number of regions of Southern Germany and Northern Italy,

Greater London, Paris and North-East Scotland (where oil is important) the average level was 20% above the Community average (Map 57).

There was little sign of any narrowing of the gap in income per head over the 1980s as a whole. In the first half of the decade, regions to experience the highest gains included parts of Southern Germany, South-East England, Denmark and Paris, where income per head was already relatively high. On the other hand, Northern Ireland, Central Portugal and parts of Eastern Spain and Southern Italy, which had amongst the lowest levels of income per head in the Community, also showed significant gains over this period (Map 58).

In the second half of the 1980s, between 1985 and 1989, the pattern of relative rates of change was quite different. Most of Southern Germany, Denmark and the Paris region, which had high rates of growth in income per head in the earlier five years all experienced relatively low rates of growth in the latter part of the decade, so tending to narrow the gap between rich and poor regions (Map 59). At the same time, however, Northern Ireland, Central Portugal and Southern Italy, as well as many parts of Greece, also experienced relatively low rates of increase, which worked in the opposite direction.

On the other hand, many parts of Spain, Portugal and Ireland, which had experienced relatively small rises in income per head or even decreases over the first half of the 1980s, all showed above average growth in the second half so tending to narrow disparities.

For the less developed regions as a whole (those classified as Objective

1 regions for Structural Fund purposes), the average increase in income per head was slightly greater between 1985 and 1989 than in the rest of the Community (about 0.5% a year more), whereas it had been smaller over the preceding five years (about 0.25% a year less). Nevertheless the average income per head in the less developed regions was still less than 60% of the level in the other Community regions in 1989 (Graph 60).

Wages and Labour Costs

It is difficult to examine wages and labour costs on a regional basis except for manufacturing industry, because of data problems (see Chapter 6). At the national level, the average levels of compensation of employees (wages plus non-wage labour costs in the form of social

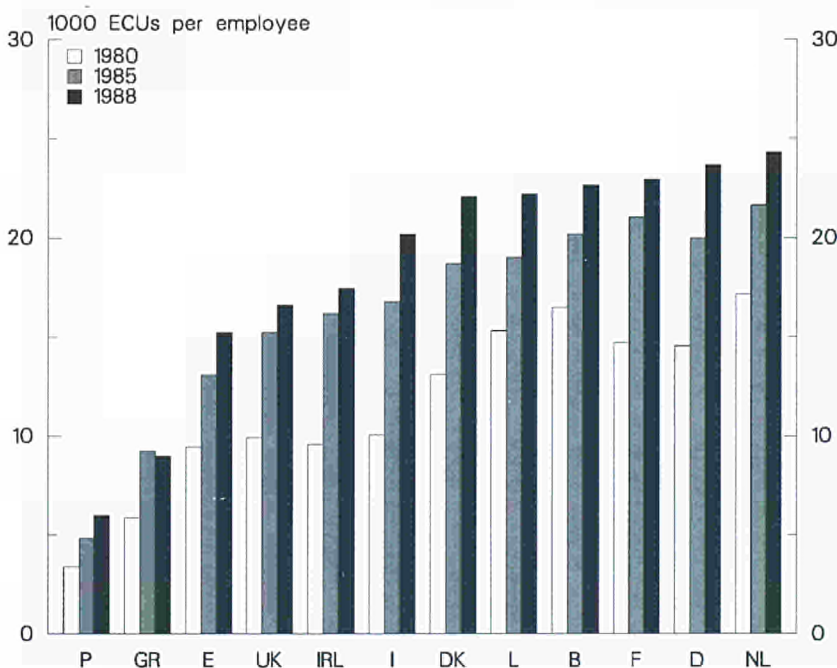
insurance contributions and so on, which is arguably a more comparable measure not only of labour costs but also of wage income than gross wages alone) in 1988 were very similar in most Northern Member States. In terms of ECU, the difference in average labour costs per employee between the Netherlands, which had the highest level in the Community, and Denmark, which had the sixth highest level, was only around 8% (Graph 61). This is significantly less than the difference in 1985 (18%) or in 1980 (30%). The average cost of employing someone has therefore become much closer in these countries.

Moreover the rank order of the Northern countries in terms of average compensation of employees did not change much over the 1980s, except that Germany moved successively from being fifth to fourth to second over the period.

The rank order of the remaining six countries also remained more or less the same during these years, except that Greece instead of Portugal became the country with the lowest average labour costs in the Community, with a level in 1988 only around one-seventh of that in the six Northern countries.

The difference in average labour costs between the six lower wage countries, and between them and the six high-wage countries, tended to widen over the 1980s. In particular (leaving aside Portugal and Greece where wages were considerably lower than elsewhere) the difference in the average level between Italy, the seventh ranked country, and Spain, the tenth ranked, was over 30% in 1988 as against less than 10% in 1980. Conversely the difference between average labour costs in the highest and lowest ranked countries in the Community narrowed from around 5 times to 4 times, between 1980 and 1988.

61 Average labour costs of employees in the Member States 1980, 85, 88

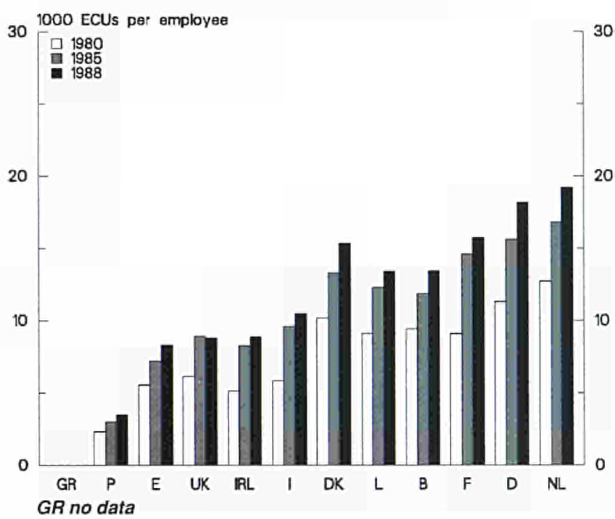


When measured in terms of purchasing power standards, which take account of differences in consumption patterns and relative prices between countries, the differences in average labour costs per employee between countries are significantly less than when measured in terms of ECU (Graph 63). This is because the levels of consumption of different types of goods and services are not the same across countries. Moreover, goods and services tend to have lower prices where they are heavily consumed, equalising to some extent relative real incomes. When measured in these terms, the gap between the highest and lowest wage countries is reduced from 4 times to 2 times in 1988.

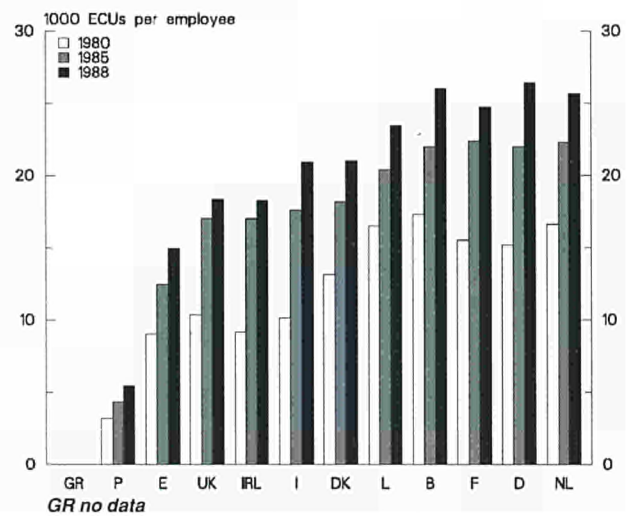
Comparing average compensation per employee across Member States

Average Wages of Employees in the Member States 1980, 1985 and 1988

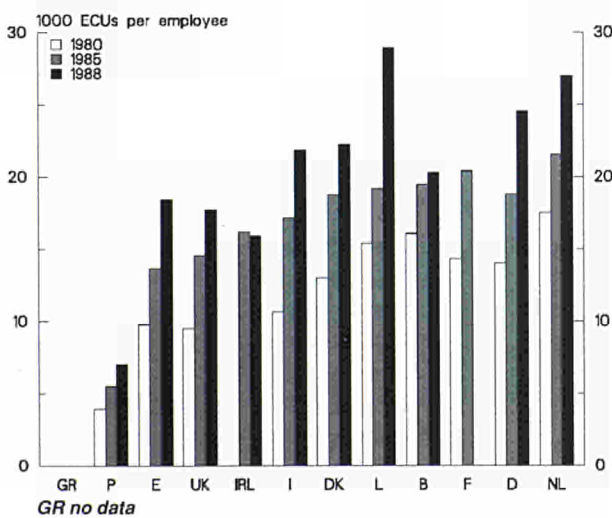
62 Agriculture and agricultural products



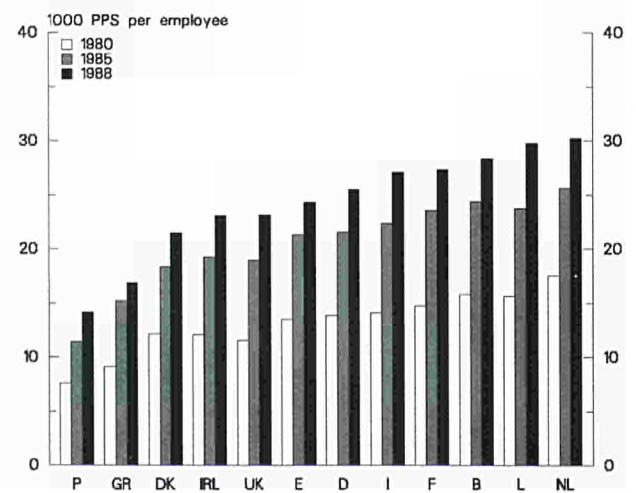
63 Manufacturing



64 Services

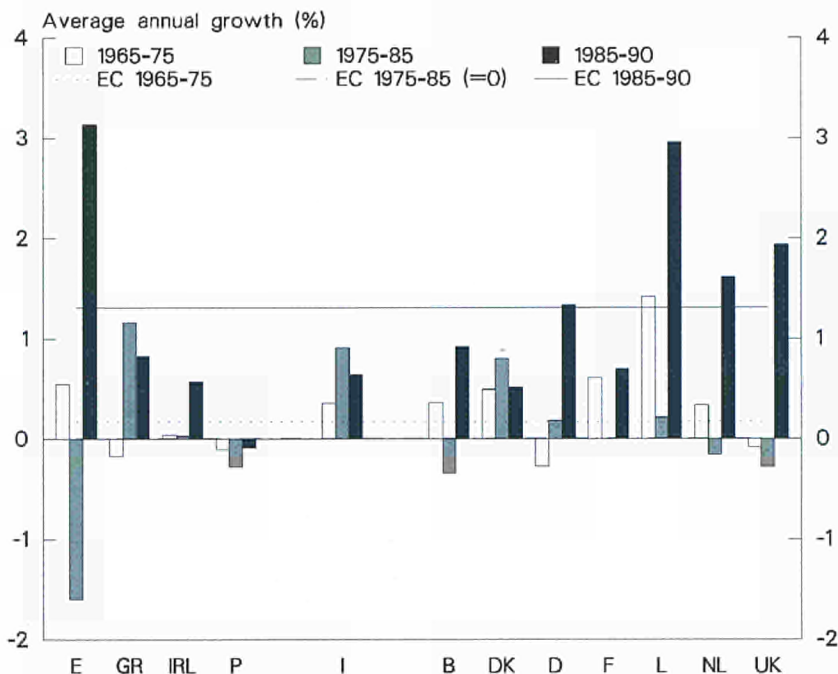


65 All employees in PPS



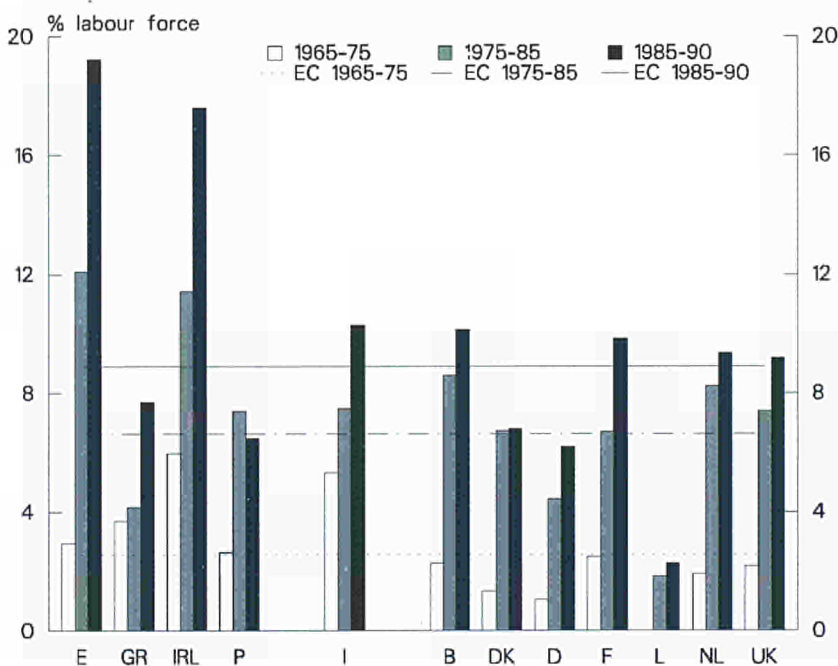
66 Employment growth in the developed and less developed Member States

1965-75, 1975-85, 1985-90



67 Unemployment rates in the developed and less developed Member States

1965-75, 1975-85, 1985-90



with average real income per head of population shows a similar pattern, with one or two exceptions. One particular exception is the UK. Compared with other Member States, it has a significantly higher level of income per head of population relative to its average compensation per employee — which was considerably below the Community average in 1988. The reason is that, relative to other countries, the UK has more of its population in employment and generating income. This compensates for the low level of productivity — and wages — per worker in the UK and raises the real income per head of population. Much the same is true of Denmark, while the reverse applies to Spain and Italy, both of which have low proportions of their populations in employment.

The pattern of average labour costs per employee for the economy as a whole, as between Member States, is broadly repeated for individual sectors. However while the rank order of countries is similar in each case, the scale differences between countries tends to be somewhat greater when each sector is considered individually (Graphs 62 to 65).

Convergence in Employment Levels

Despite their success in achieving relatively high rates of economic growth, employment growth in the less developed countries has been disappointing over the last 25 years. In the period 1965 to 1975, only Spain managed to achieve an increase in employment above the Community average while, over the following ten years, only Greece had any significant expansion in employment at all. In both Spain and

Portugal, employment declined between 1975 and 1985 and, in Ireland, it remained more or less constant (Graph 66).

Since 1985, of the less developed countries only Spain has achieved a rate of employment growth above the Community average. In Greece and Ireland, growth of employment was under 1% a year, while employment in Portugal fell slightly. (It should be emphasised that the employment figures used in this analysis are inevitably based on various statistical sources since the Labour Force Survey statistics generally used in Employment in Europe only go back until 1983. For the most recent period the LFS statistics show an increase of employment in Portugal of almost 3% a year, which is in line with GDP growth.)

Unemployment rates in all the less developed countries were above those in the rest of the Community over the period 1965 to 1975. However, only in Ireland — where unemployment at the time was 6%, and the highest in the Community — was the difference substantial. In Spain, Portugal and Greece, the rate of unemployment averaged 3–4% over these ten years. In the following ten years, only Greece had an average unemployment rate below the Community average, the rate in Spain and Ireland being close to 12%. Over the period 1985 to 1990, unemployment in Portugal has fallen below that in most of the rest of the Community, but in Spain and Ireland the rate has increased even further above the Community average to reach 18–19% (Graph 67).

Measuring Employment Needs

The employment needs of particular regions can be measured in terms of

two factors — the number of people joining the labour market for the first time, and the numbers at present without a job. The first factor is not difficult to measure in the sense that changes in the population of working-age — i.e. those aged between 15 and 64 — are known, and give a reasonable estimate of those potentially available to come onto the labour market (Map 68 shows the distribution of working-age population in 1989). The second is, however, more problematic.

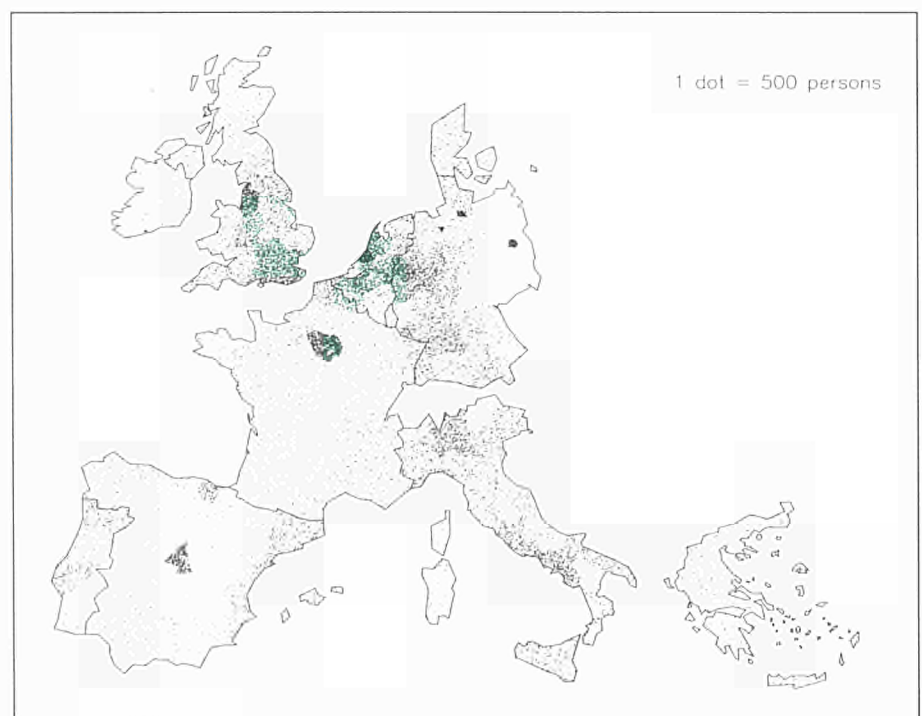
The usual measure of the number of people looking for work is unemployment statistics. However, these statistics include only those who have clearly indicated that they are looking for work. They do not cover all those who might like to be in employment if they could find a job, or who would be encouraged to work if work were available. Even where appropriate adjustments are made

to the estimates of the numbers unemployed, a sizeable proportion of people may remain unrecorded. These people, mostly women, are usually regarded as inactive and therefore not part of the labour force. Yet, whenever there is any sizeable expansion in the number of jobs on offer, these supposedly inactive people appear to fill a significant proportion of the jobs which become available (see Chapters 1 and 3).

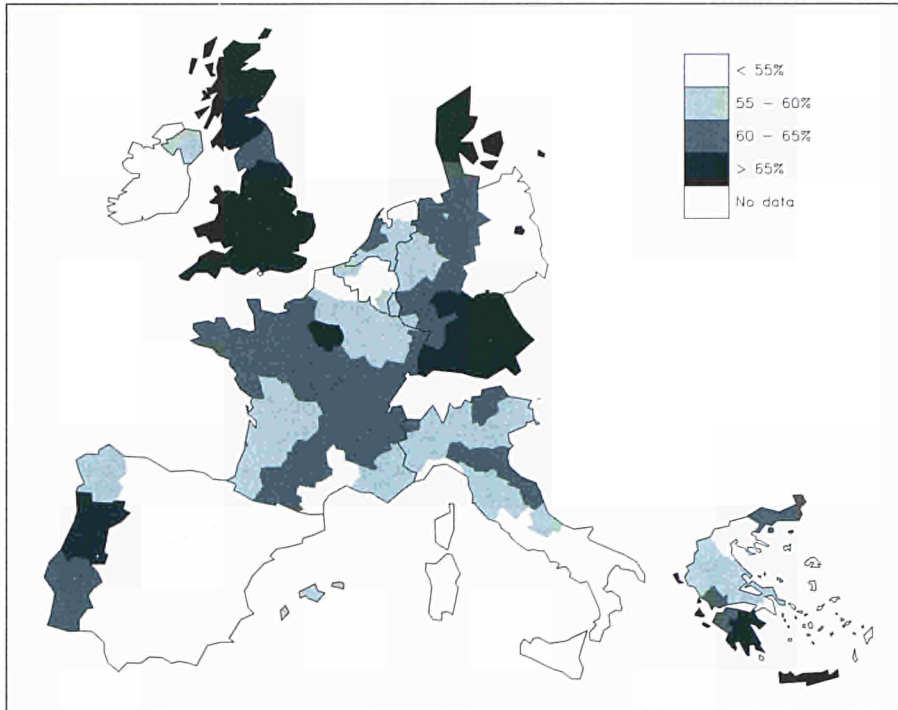
Unemployment figures may not, therefore, be a reliable guide to those who might want to work if more suitable jobs became available as would happen if closer European integration had the effect on employment widely expected of it. A better indication of this — and therefore of the unutilised labour force in any locality — is given by the ratio of employment to working-age population. In places where this is low, it

68 Distribution of working-age population (15–64)

1989



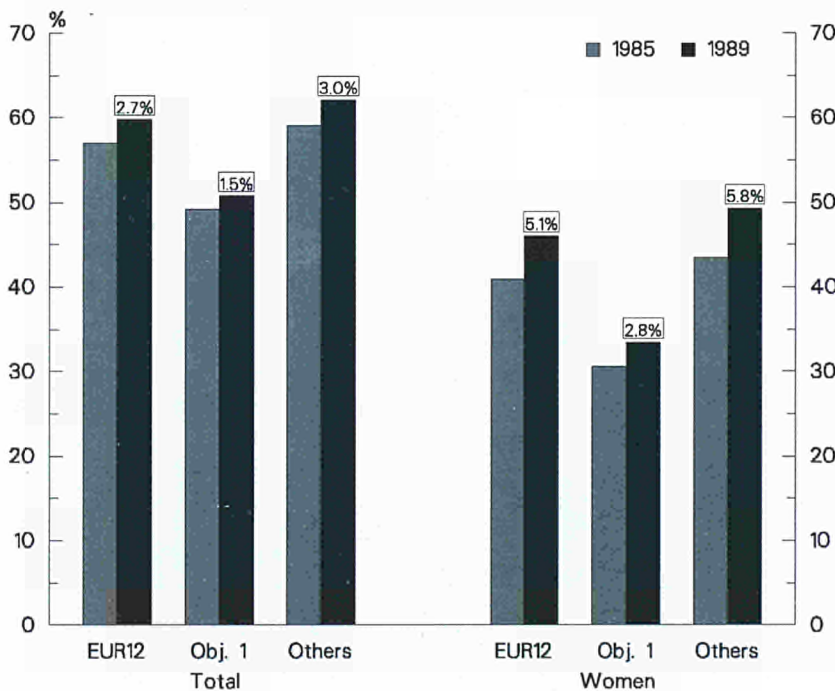
69 Employment/working-age population ratios 1989



seems reasonable to assume that there are relatively high numbers of economically inactive people who would like to work if employment opportunities were created whether these are revealed in the unemployment figures, or not.

The proportion of the working-age population in employment tends to be higher, in general, in the more prosperous and developed Northern regions than in the less developed Southern regions (Map 69). On average, this proportion was 62% in 1989 in the more developed parts of the Community as against only just over 50% in the developing regions of the Community (those classified as Objective 1 for Structural policy purposes). Moreover, since 1985 the proportion has increased more in developed regions than in the less well developed areas (Graph 70). Whereas the proportion of people of working age in work reached 75% in Denmark and South-East England and 70% in Southern Germany in 1989, it was below 50% in all of Spain (except the extreme North-west), in Ireland and in much of Southern Italy (Map 69).

70 Employment/working-age population ratios in Objective 1 regions and elsewhere in the Community 1985 and 1989



However, this pattern is not universal. The proportion of working-age population in work in 1989 was below 55% in much of the Netherlands and Belgium as well as in parts of central Germany, whereas the proportion was over 60% in Northern Portugal and over 55% in Greece (Map 69).

Official unemployment in the Community, as measured in the rates calculated by Eurostat for comparative purposes, ranged from over 12% in Southern Italy, much of Spain and Ireland (both North and South of the border) as well as in the Calais and Languedoc-Roussillon regions of France, and Hainaut in Belgium in 1990, to under 4% in

Southern Germany, Northern Italy and central Portugal (see Map 6 in Chapter 1). Unemployment is now rising and, according to the latest monthly figures (May 1991), it is still over 12% in much of the less developed parts of the Community.

On average, the proportion of working-age population who were classified as unemployed in the less developed regions was almost 9% as opposed to just over 5% in the rest of the Community.

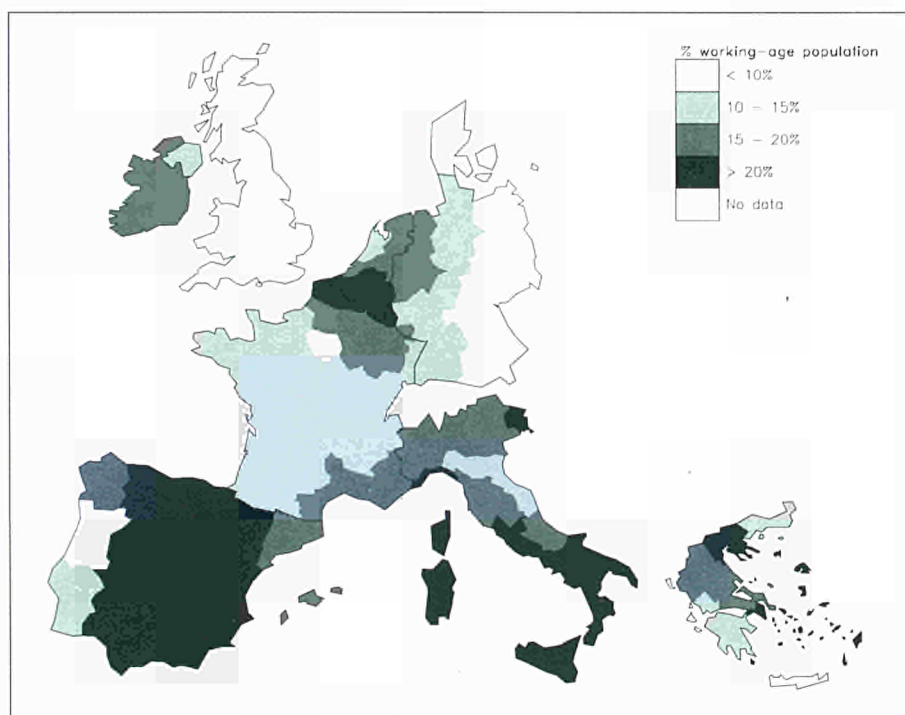
Estimating hidden labour supply

In Denmark, in 1989 employment amounted to over 75% of working-age population, and unemployment stood at 8%. This means that only around 17% of people of working-age were inactive and not counted as part of the labour force. While this proportion is considerably lower than in other parts of the Community, it is similar to that in other Scandinavian countries — all of which have given priority to making it easier for married women and other groups to participate in the labour force. It seems reasonable to suppose that over time — even if over a long time in a number of cases — regions outside Denmark could attain a similarly low inactivity rate.

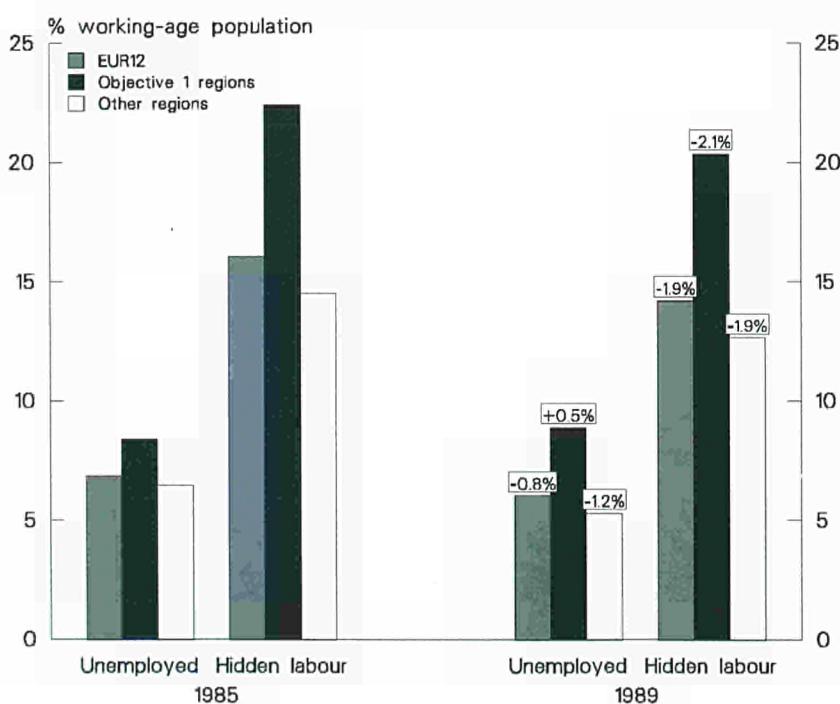
In order to get an idea of the possible scale of this effect, an estimate of hidden labour supply has been made, based on the conservative assumption that a hard core of 20% (rather than the 17% in Denmark) of working-age population would remain inactive irrespective of the number of jobs on offer, and irrespective of the measures taken to facilitate participation. This is on a par with the inactivity rate in the US (Graph 1, Chapter 1).

71 Hidden labour supply

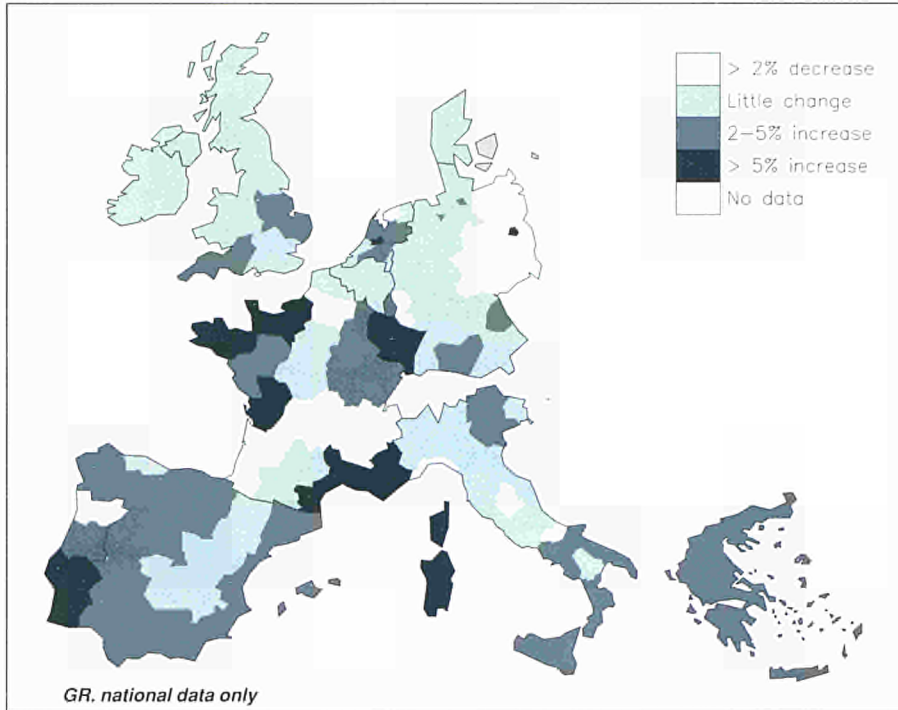
1989



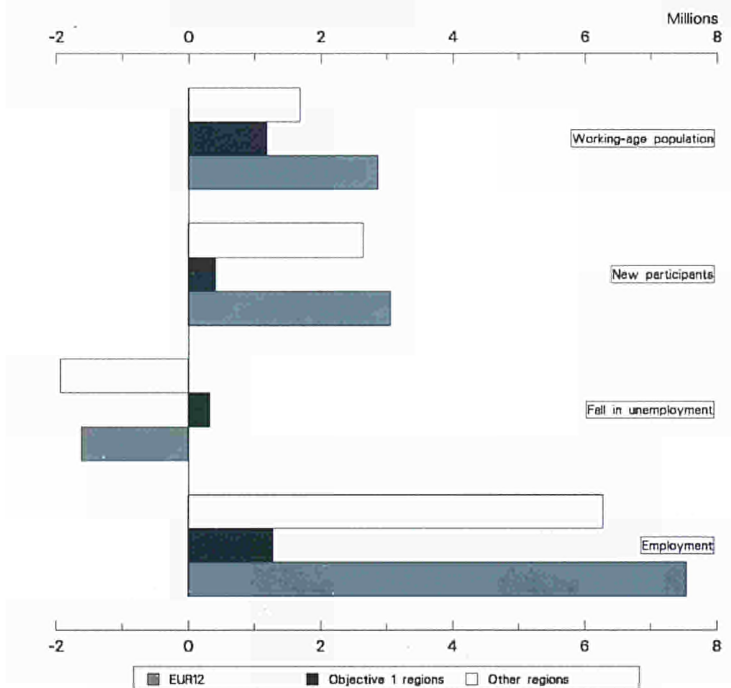
72 Unemployment and hidden labour supply as a share of working-age population in the Community 1985 and 1989



73 Change in working-age population 1985-89



74 Changes in employment, unemployment, working-age population and participation in Objective 1 regions and elsewhere in the Community 1985-89



Clearly, this can only be a rough assumption. It is possible that there are genuine, inherent, differences between regions as regards the proportion of the so-called inactive population who would like to work. This may be because of deep-seated social or cultural differences or because of differences in, for example, the proportion of women with young children who would prefer to stay at home, at least during their early years. It is also possible that there are significant regional variations in the proportion of people over 65 who would like to work. Nevertheless it provides a useful indicator of the potential scale of under-employment or hidden labour supply across the Community as it progresses through the 1990s.

The estimates achieved in this way suggest that hidden labour supply was significant in almost all areas outside Denmark in 1989 (Map 71). Over much of Germany and France, it exceeded 10% of working-age population and, in the prosperous and developed regions of Northern Italy, it exceeded 15%. In most of the poorer, less developed regions, in Spain and Southern Italy, the hidden labour supply rate exceeded 20%. This figure was also found, perhaps unexpectedly, in all regions of Belgium.

On average, hidden labour supply in the less developed regions, expressed in relation to their population of working-age, can be estimated at over 20%, in 1989, against a rate of under 13% in other parts of the Community (Graph 72). This difference is significantly greater than for unemployment. Taking hidden labour supply and unemployment together, just under 30% of people of working-age were actual or potential job seekers in the less developed regions in 1989, compared with under 20% in other areas.

Working age population

Over the Community as a whole, the working-age population increased by around 1% between 1985 and 1989. There were, however, significant differences between regions (Map 73). In general, (but with exceptions) the increases tended to be higher in the South of the Community than in the North. Indeed in many of the most prosperous and most developed areas — in Northern Italy, Southern Germany, the Paris region and South-East England — there was little growth at all in the working-age population. In Greece, Southern Italy and much of Spain and Portugal, the increase was more than 2%, in some cases significantly more.

On average, the increase in working-age population over the period was almost 3% in the less developed (Objective 1) regions as against just over 1% in other areas. In broad terms, therefore, the differential rates of growth of working-age population added to the existing differences in rates of unemployment or under-employment between regions, thereby increasing the need for jobs in the Southern regions of the Community and Ireland, as compared with the rest of the Community (Graph 74).

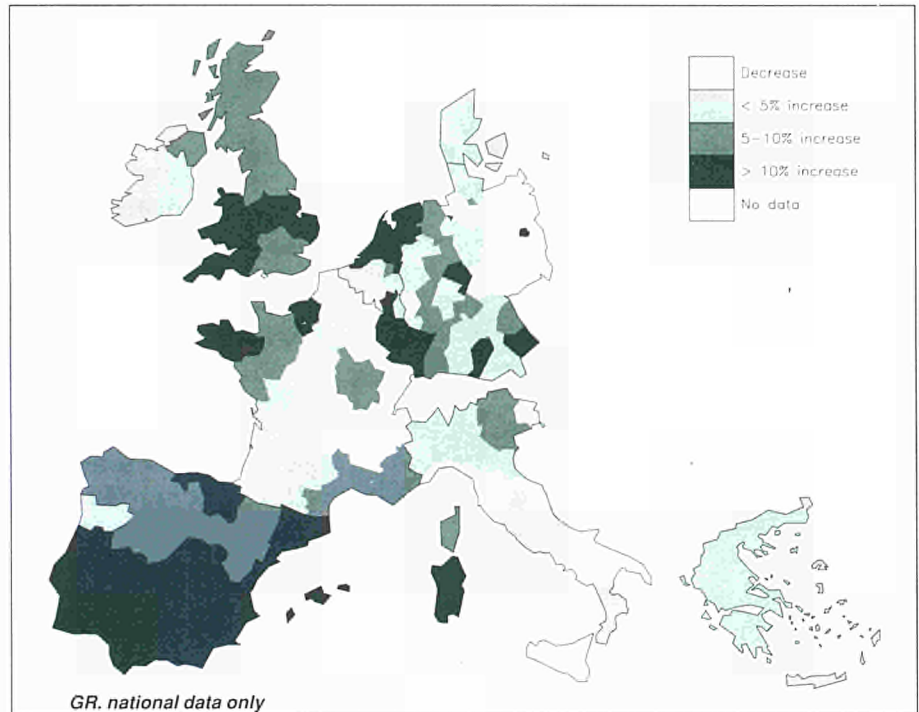
The change in working-age population recorded in each area depends not only on endogenous population growth, but also on inward and outward migration. Though migration flows have, in the past, tended partly to offset relatively high natural population growth in less developed regions, the scale of movement over the past few years has been small, as shown below.

Employment

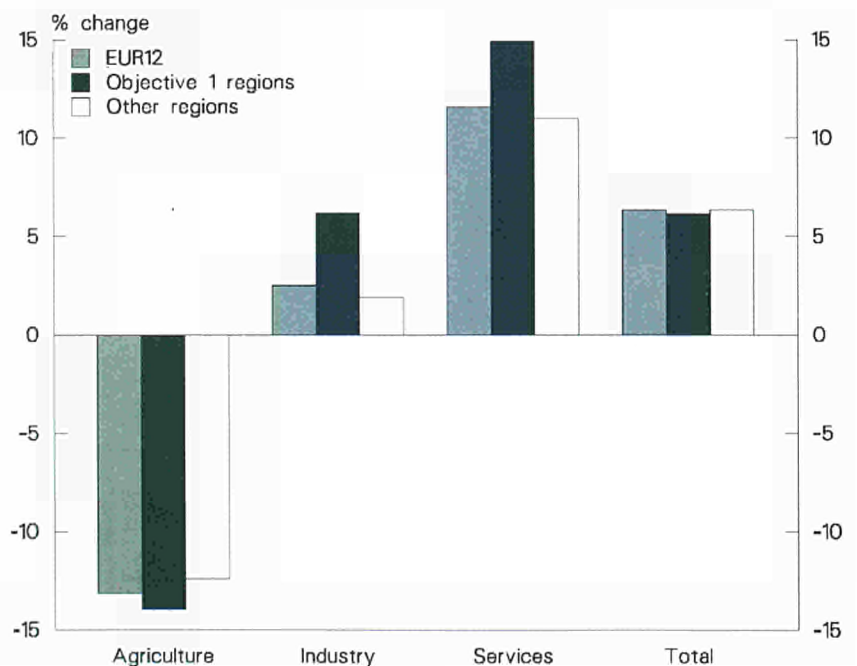
Although there was a substantial increase in employment in the Community as a whole between 1985

75 Total employment change

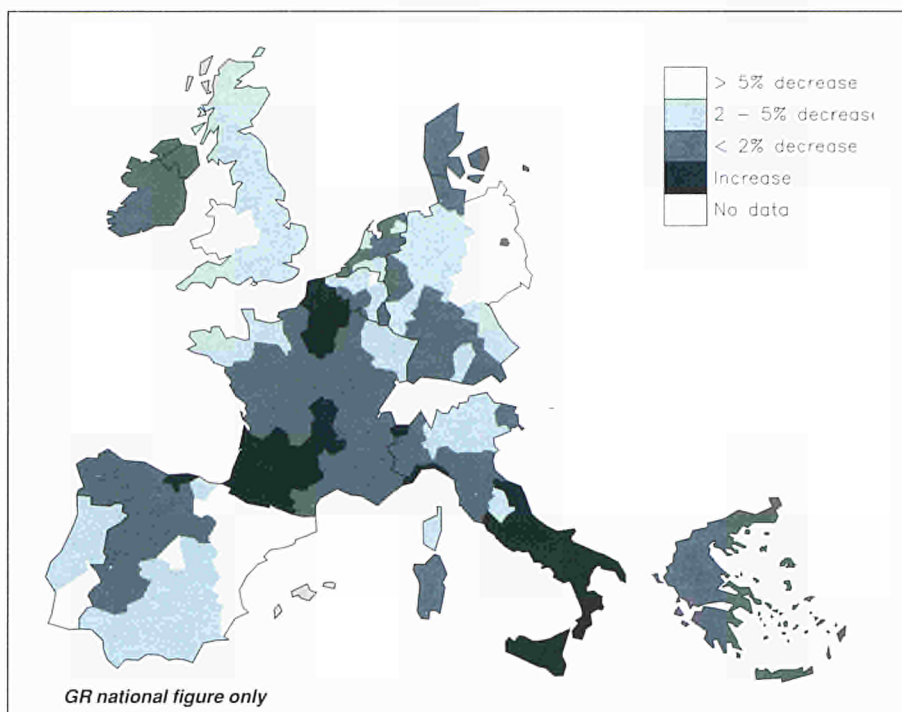
1985-89



76 Change in employment by sector in Objective 1 regions and elsewhere in the Community 1985-89



77 Change in unemployment rates 1985-89

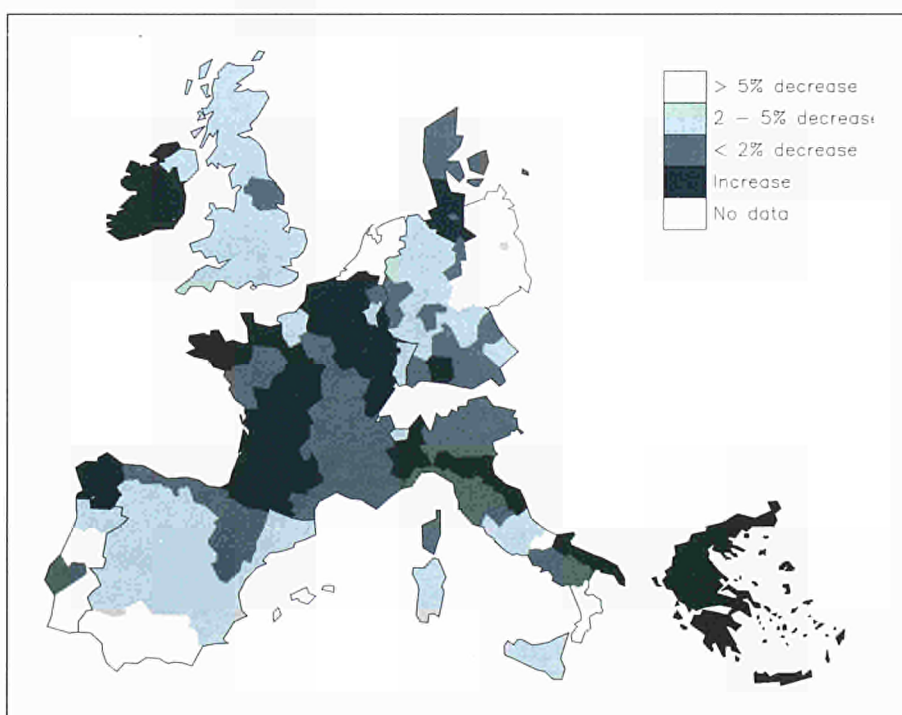


and 1989, the experience in different regions varied significantly. In major areas — over much of France and Italy and parts of Northern Germany — the numbers in employment actually declined (Map 75).

In the North of the Community, the numbers in employment rose considerably in many regions. This was the case over much of the UK, where unemployment was above the Community average at the beginning of the period, but also in areas of Southern Germany where unemployment was below average.

In the South of the Community, employment increased at well above average in Southern Spain, central Portugal, Sardinia and Brittany (at over 10% in the four years). By contrast, in the South of Italy, Greece and Ireland, employment either declined or rose at a relatively low rate.

78 Change in hidden labour supply 1985-89



Overall there was no general convergence between richer and poorer areas over this period. On average, employment in the less developed regions of the Community increased by just over 6% between 1985 and 1989, marginally less than in the rest of the Community (Graph 76).

Unemployment and hidden labour supply

The effect on unemployment of differential rates of employment growth was not uniform across the Community. Although the largest reductions in unemployment rates were in parts of the UK and Spain (where employment growth was highest) and the largest increases were in Southern Italy and Sicily (where employment fell), unemployment remained broadly unchanged over much of France despite a decline in employment. In most regions of the

Netherlands, unemployment was only a little lower in 1989 than it had been in 1985, even though employment rose significantly over the period (Map 77).

On average, the recorded rate of unemployment actually rose by around 0.5% of the labour force in the less developed regions between 1985 and 1989, despite the growth in employment whereas, in the other parts of the Community, it fell by over 1% (Graph 72).

The estimate of hidden labour supply showed a similar pattern of change over this period. It declined quite significantly over much of Spain, Portugal and the UK, where official rates of unemployment also fell and it increased over much of France and Ireland where unemployment also rose or declined only marginally. There were, however, a number of exceptions to this tendency. It fell substantially in the Netherlands as well as in parts of Southern Italy — two areas where unemployment declined only slightly. Moreover, it increased in Brittany whereas unemployment showed an above average decline (Map 78).

In the less developed regions overall, hidden labour supply (as a percentage of working-age population) fell on average by slightly more than in other parts of the Community between 1985 and 1989. Nevertheless the average rate remained around a third higher in the former than in the latter, at over 20% as opposed to less than 13%.

When taken together, unemployment and hidden labour supply declined over this period by only half as much in the less developed regions (by 1.6% of working-age population) as in the rest of the Community (where the fall was 3.1% — Graph 72).

Employment/population ratios

The deterioration in the position of the developing regions over this period is partly a consequence of fewer additional jobs being created and partly a reflection of their higher growth in working-age population (which was adding to a labour supply already in excess of the employment on offer, and which was only marginally reduced by outward migration).

The net effect of these differential rates of growth was that the rate of employment (i.e. the ratio of employment to working-age population) rose on average by 3 percentage points in the more developed parts of the Community between 1985 and 1989 and by only 1.5% in the less developed regions (Graph 70).

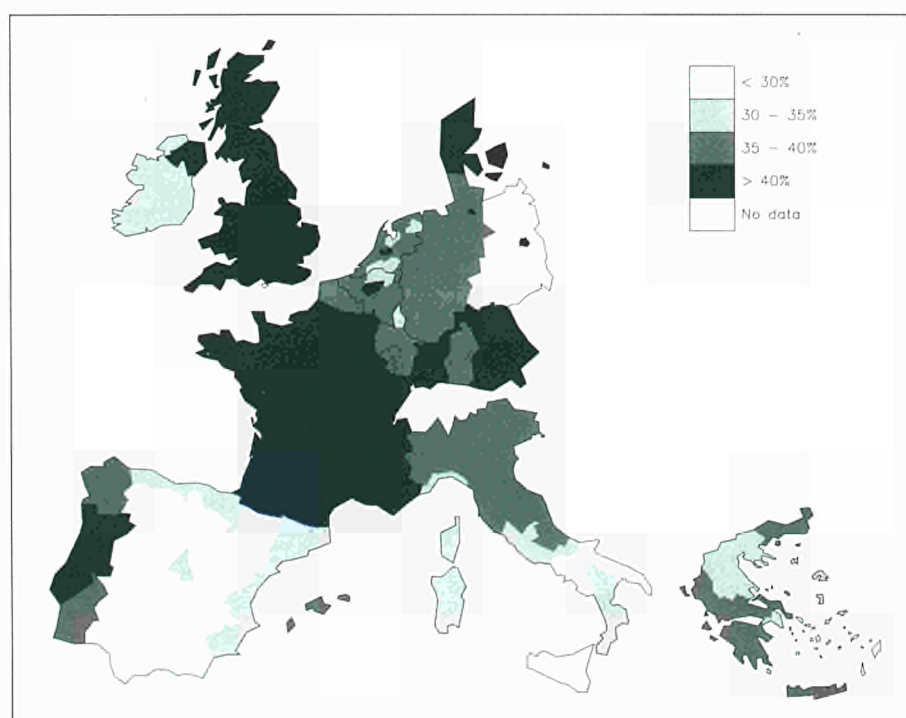
For women, the difference in experience was even more marked. In the less developed regions, the employment rate of women, which averaged 30% of the working-age population in 1985, increased to just under 33% in 1989. In other parts of the Community, the employment rate of women rose from 43% to over 49%.

Labour force participation

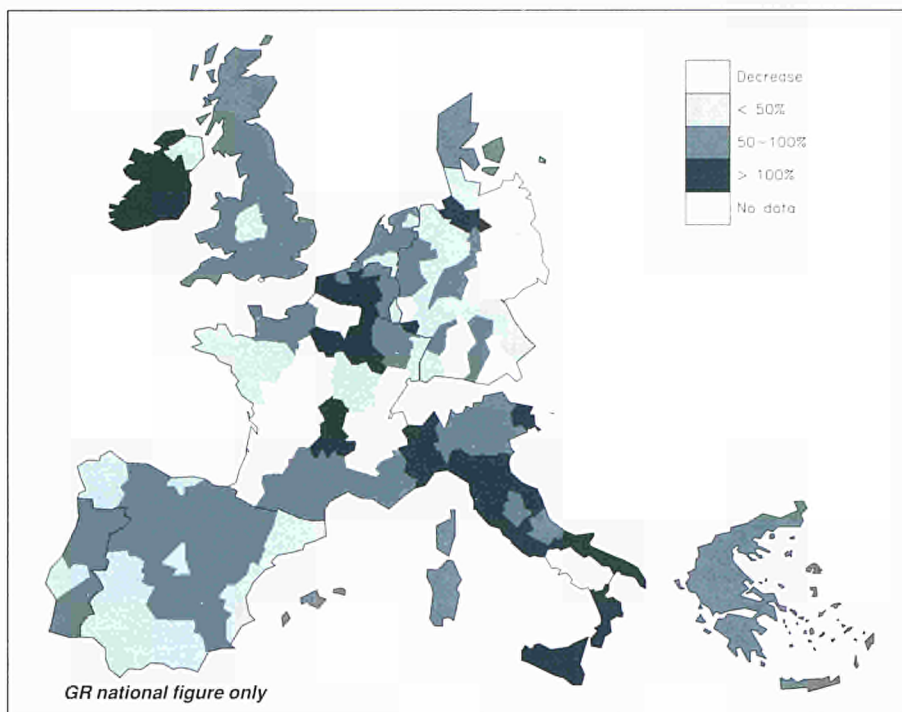
In terms of labour force participation, a major difference remains as between the richer, more developed regions and the less developed. Although labour force participation (defined as employment plus unemployment as a percentage of working-age population) increased more in the peripheral regions of the Community between 1985 and 1989 than in other areas, this conceals the fact that much of the rise in partici-

79 Female share of employment

1989



80 Female contribution to 1985–89 employment change 1985–89

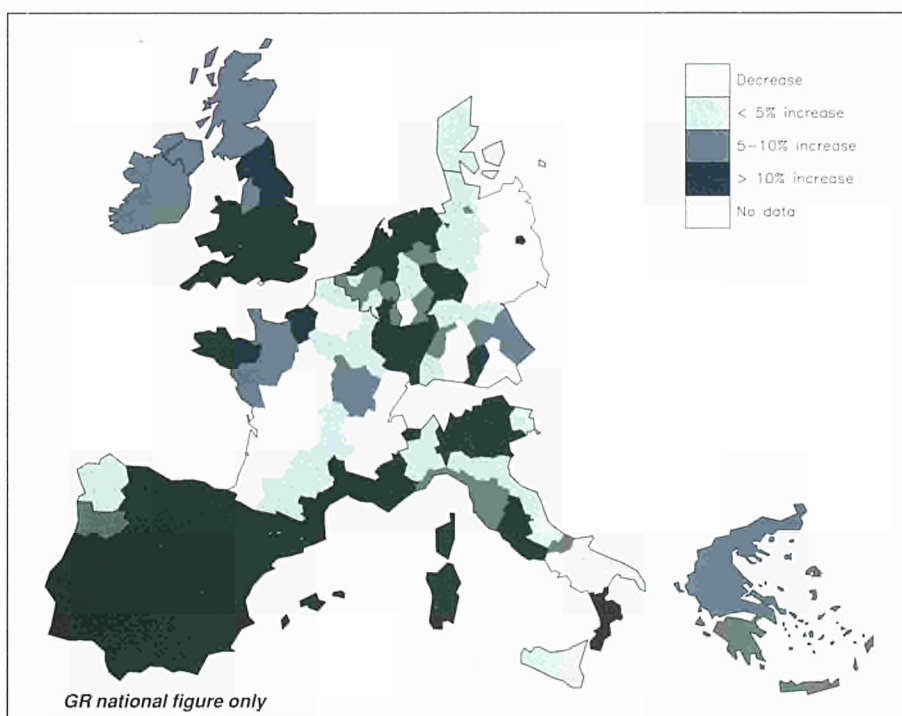


pation in the former areas was associated with a rise in the numbers recorded as unemployed. Whereas in the more developed regions 42% of the growth in employment over this period can be attributed to increased participation, in the less developed regions, the figure was only around 30%.

Thus, a considerable proportion of people of working-age who could have expected to find work had they lived elsewhere, remain effectively excluded from the labour market over much of the less developed part of the Community. Most of these people are women, especially married women, since the participation rates of men are very similar from one part of the Community to another.

Employment opportunities for women

81 Female employment change 1985–89



The importance of the employment of women varies significantly across the Community. Broadly, as reflected in the employment/population ratios, it is relatively high in the more developed Northern regions and relatively low in the poorer, less developed regions (Map 79). There are, however, exceptions. In particular, it is lower than the Community average in parts of the Netherlands and Belgium (which are highly developed) and higher than average in Portugal and parts of Greece.

The importance of female employment has increased progressively over time over the Community as a whole. Of the additional jobs created in the Community between 1985 and 1989, significantly more went to women than to men (see Chapter 1). However, again, this was not the case in all regions. In Southern and Eastern Spain, where employment growth was relatively

high, less than half the additional jobs went to women (even though the employment of women increased at a rate well above the Community average — Map 81). This was also the case in Brittany and Northern Ireland, which also experienced comparatively large gains in employment (Map 80).

In other peripheral regions, on the other hand — in Ireland, Central and Northern parts of Spain, the South of France, much of Southern Italy and Greece — women did increase their share of total employment. Even where there was little or no increase in total employment — in Greece and much of Southern Italy — the employment of women rose by more than the Community average.

Overall, the evidence of any convergence in the shares of female employment across the Community is patchy. Most areas where women's share of employment had been relatively low experienced a relatively large rise between 1985 and 1989. However, in the UK, Denmark and many parts of France and Germany, where women's employment was already high in 1985, its importance had increased further by 1989. Thus the relative disparities between areas changed comparatively little.

Part-time working

The presence of part-time working compared with full-time working varies considerably across the Community (Map 82). In general, it is comparatively low in the poorer, less developed regions, such as in Greece, Portugal and Ireland, where it accounts for under 10% of total employment. In the more developed regions, however, although it is generally more important, there is little systematic tendency for the

proportion working part-time to increase with the level of economic development in the region concerned (as reflected in incomes per head).

Whereas part-time working accounted for over 20% of total employment in 1989, in Denmark, the Netherlands and South-East England, its level is much lower over most of Germany, France and Northern Italy. Clearly this is a reflection of many factors, economic, legislative and social.

There has been a tendency, however, for part-time working to increase particularly rapidly in the most economically successful and most prosperous areas of Germany, France and Northern Italy — for example, in Bavaria, in the Paris region and in Emilia-Romagna. In these areas, not only did the numbers employed on a part-time basis go up by more than 10% between

1985 and 1989, but they accounted for more than half the total rise in employment over the period.

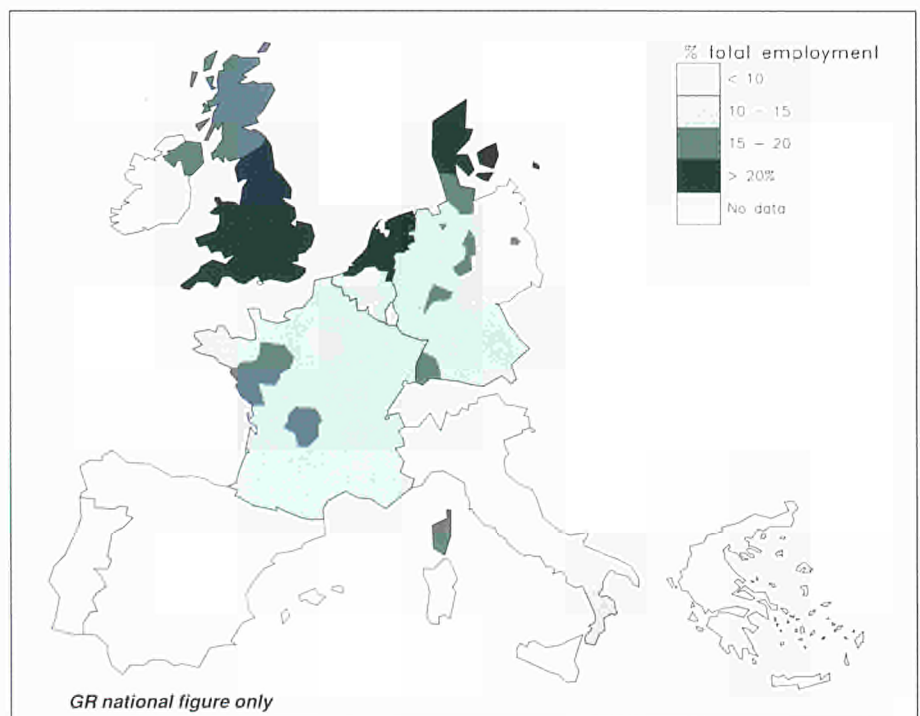
At the same time, the number of part-time workers also rose significantly in some less developed regions, such as in Northern Portugal, the most southerly part of Italy and Ireland. In many other similar areas, however — including Greece, Central Portugal and most of Southern Italy — it declined further over this period from levels which were already low.

Convergence in Sectoral Distribution of Employment

Sectoral structures

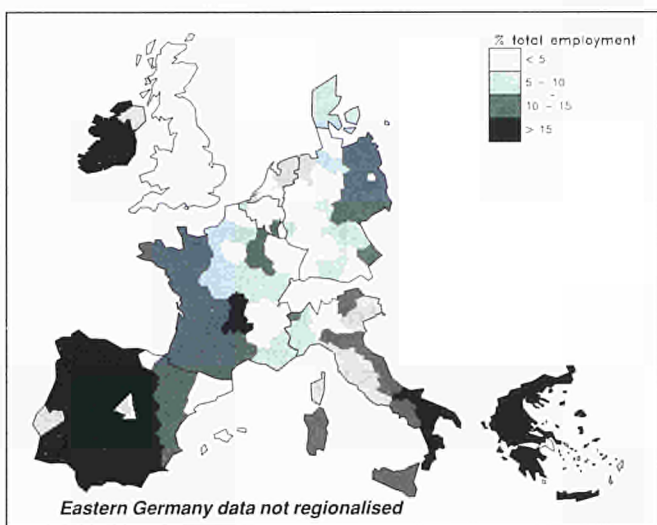
By and large, the peripheral regions of the Community have a

82 Part-time employment as a share of total employment 1989

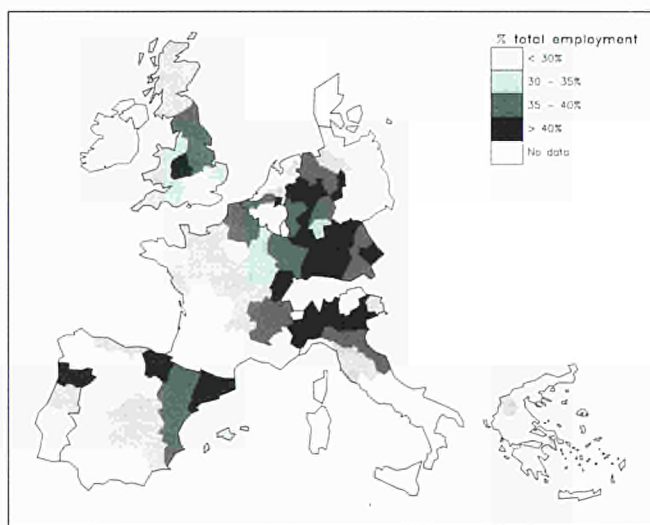


Sectoral Distribution of Employment

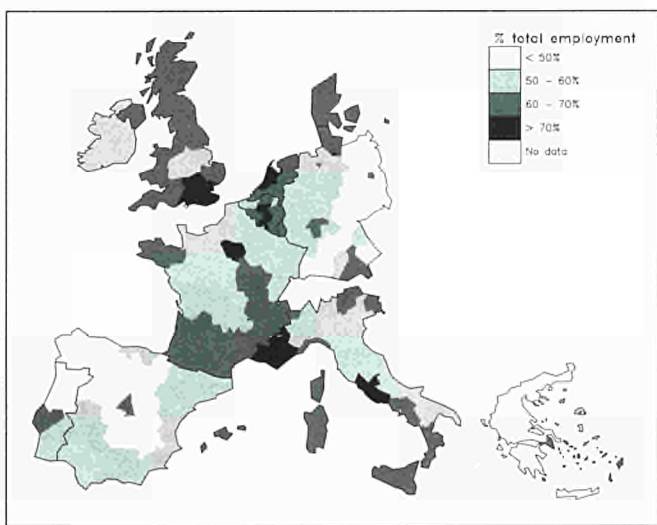
83 Share of employment in agriculture 1989



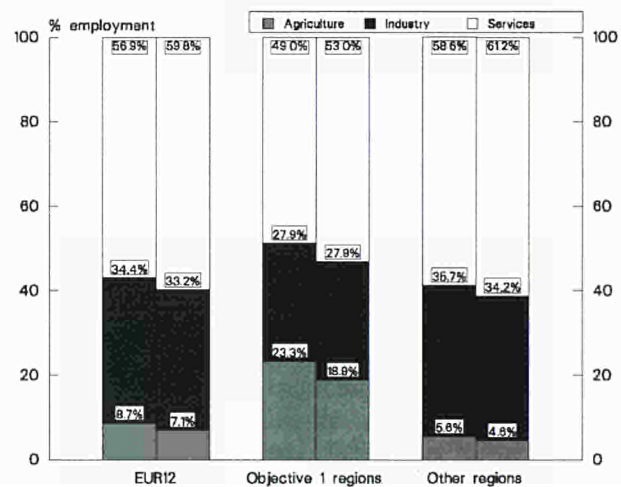
84 Share of employment in industry 1989



85 Share of employment in services 1989



86 Sectoral distribution of employment in Objective 1 regions and elsewhere in the Community 1985 and 1989



higher proportion of people employed in agriculture and a lower proportion employed in industry than the more central parts of the Community (Maps 83 and 84). In 1989, in Ireland, Greece, and much of Spain, Portugal and Southern Italy, over 15%, and in many cases over 20%, of employment was in agriculture and less than 30% in industry. By contrast, in the UK, (except for Northern Ireland), and most of the Netherlands, Belgium and Germany, agriculture accounted for less than 5% of employment. On average, developing regions had 19% of employment in agriculture as against under 5% in the rest of the Community and less than 28% in industry as opposed to 34% in other areas (Graph 86). (Employment in agriculture and the issue of rural development is examined in detail in Chapter 5).

Having a low proportion of the working population employed in agriculture does not necessarily imply a high proportion employed in industry since much industrial employment in the Community is concentrated in the central triangle of Southern and Central Germany, Northern Italy and Eastern France. In these areas over 40% of jobs were in industry in 1989. Outside this area, only the West Midlands in the UK, Catalonia and the Basque region in Spain, and Northern Portugal, have comparably high concentrations of employment. (Employment in industry is considered in Chapter 6).

Employment in services is not spread evenly across the Community (Map 85). Service employment is, of course, particularly high in large cities like London, Paris, Brussels, Amsterdam and Rotterdam and, to a

lesser extent, Madrid, where there is a large concentration of financial and business services. It is only slightly less high in the other, more prosperous, areas of the Community, such as South-East England, Denmark and the Netherlands. But it also tends to be high in tourist areas such as the South of France, Brittany and the Balearics. It is also high in much of Southern Italy, where tourism is not developed but where there is a relatively high proportion of employment in public services.

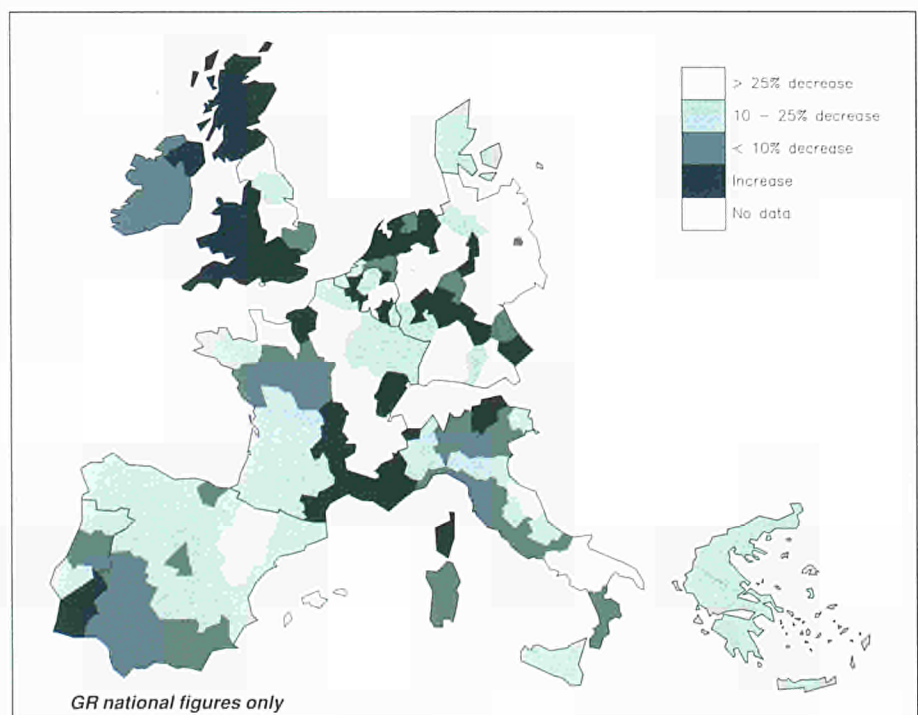
By contrast, employment in services is relatively low not only over much of Spain, Portugal and Greece but also over much of Germany, particularly the industrial South where in a number of regions it accounts for less than 50% of those in work.

On average, only just over half of employment in the less developed regions was in the service sector in 1989 as compared with 61% in other parts of the Community and an average of 70% in the US.

Convergence in employment structure

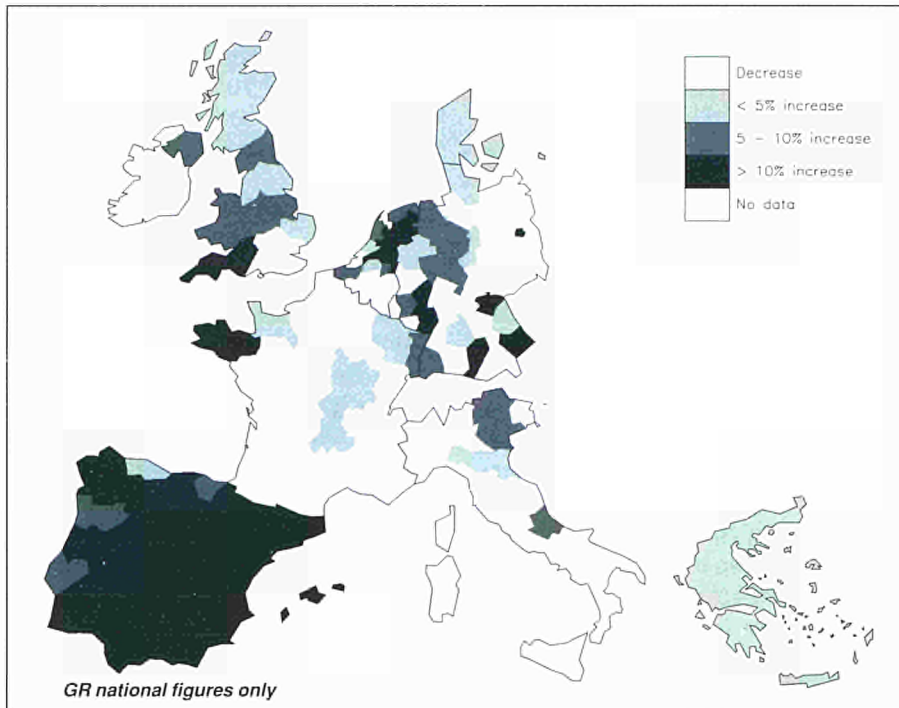
Between 1985 and 1989, employment in services in the Community as a whole went up at over four times the rate of increase in employment in industry, while jobs in agriculture continued to decline (Maps 87, 88 and 89). By and large, changes in service employment moved in line with changes in total employment: those regions where the overall number of jobs rose at a relatively high rate also experienced a high rate of increase in

87 Change in employment in agriculture 1985-89



88 Change in employment in industry

1985-89



service employment. There were, however, a few exceptions, notably the South-East corner of Germany and South-West England, where growth of employment overall was due more to rising employment in industry than in services.

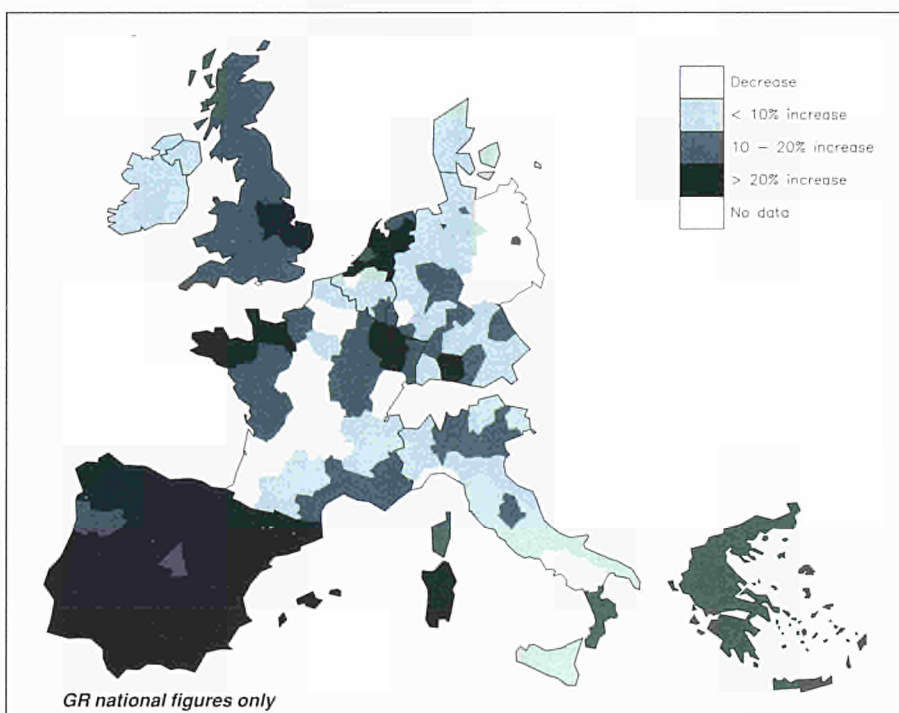
In virtually all regions, the additional jobs created between 1985 and 1989 were predominantly in services rather than in industry and, in some regions, services accounted for practically all of the net increase in jobs over this period.

Overall, the increase in both service and industrial employment in the less developed regions outstripped the rise in other areas between 1985 and 1989. For both sectors, the difference amounted to some 4 percentage points on average. Equally, the reduction in agricultural employment over the same period was greater in less developed areas than elsewhere, though the difference averaged only 2 percentage points. There was, therefore, an unambiguous convergence in the sectoral pattern of employment in the peripheral regions towards that prevailing in the more developed areas.

However, the relatively high rates of job creation in services and industry in the less developed regions did not prevent their overall employment growth lagging behind that in the rest of the Community. This outcome (illustrated in Graph 86) is a consequence of the very different initial distribution of employment between the broad sectors of activity in the two areas and, in particular, of the difference in the relative size of the agricultural sector. This means that, for every 1% reduc-

89 Change in employment in services

1985-89



tion in agricultural employment, four times as many additional jobs in industry and/or services have to be created in the peripheral regions compared with elsewhere if the people released onto the labour market are to be absorbed.

In other words, in the less developed regions, employment in industry and services has to grow at a higher rate than in other areas not just to cater for the significantly higher growth of working-age population and the larger numbers of unemployed (both revealed or concealed) but also in order to compensate for the steady contraction in the number of jobs in agriculture. This is likely to remain the case for many years given both the substantial numbers still employed in the agricultural sector in these regions and the long term decline in employment in the sector.

Dependency Ratios and Working-age Projections

Peripheral regions not only have a lower proportion of their working-age populations in employment, they also tend to have comparatively large numbers of both young and old people relative to the number of people of working-age. Accordingly, these regions tend to have greater numbers of people with little or no income compared with more prosperous areas. The so-called dependency ratio (the number of people aged under 15 and over 64 relative to the number of people in other age groups) is less than 40% in parts of Northern Italy, Germany and the Netherlands, but is over 50% in many regions of Spain, Portugal, Greece and Ireland, as well as South-West

England, Wales and large areas of France (Map 90).

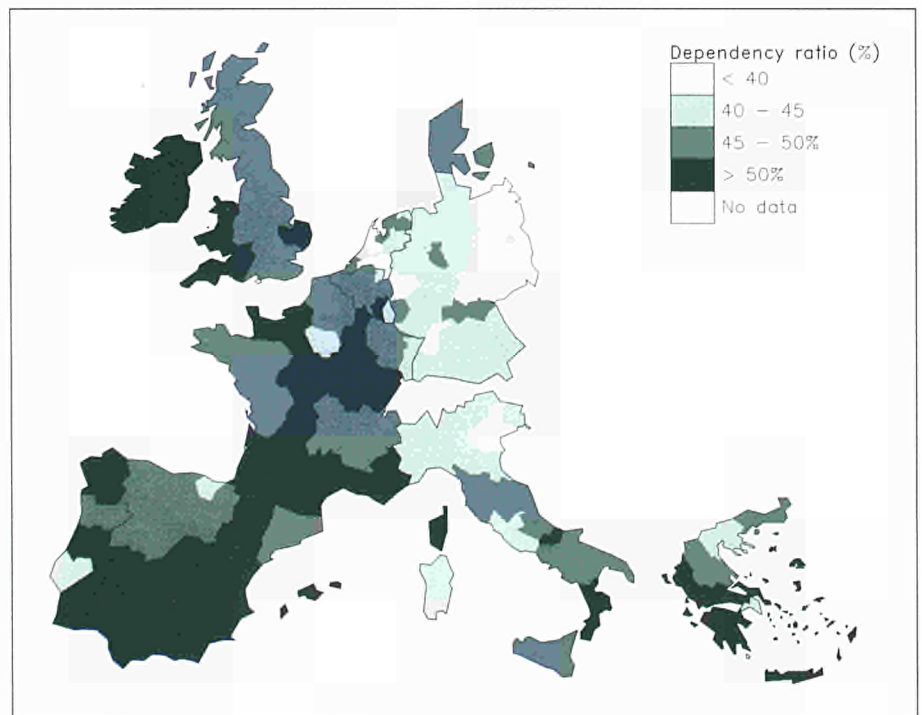
Recent projections of future changes in population of working-age, which should be a good indicator of the growth or decline in the potential labour force, show that some growth is likely over the next 25 years in many of the peripheral regions of the Community — in Scotland, Ireland, Brittany, Northern Portugal, Southern Spain, the South of Italy and Southern Greece (Map 91). In many of the central, most developed and prosperous parts of the Community, however, a decline in working-age population is forecast. This is particularly so in Germany and Northern and Central Italy where in the majority of regions, falls of over 10% are projected between 1990 and 2015.

Since these projections are determined, to a significant extent, by the population trends already in evidence (in birth rates in particular) and since they make some allowance for possible migration on the basis of present movements, they indicate the challenge confronting the Community. Job creation will need to occur disproportionately in the peripheral regions simply to just maintain the existing gap in employment and unemployment rates between these and the rest of the Community, let alone reduce it.

Fulfilling Employment Needs

If these projections of working-age population are combined with the estimates of hidden labour supply and the figures for the

90 Dependency ratios 1989



number of people currently unemployed, the need for future jobs in the less developed parts of the Community is substantial.

As an indication it can be seen that, in order to close the gap between the less developed regions and the rest of the Community in the ratio of employment to working-age population, employment would need to grow over the next 25 years by at least 1% a year more than elsewhere — a performance which is far in excess of what has been achieved over the recent past.

Of course, these projections cannot fully allow for the unknown but potentially considerable migratory movements from Central and Eastern Europe and from the South of the Mediterranean, especially if unemployment becomes an even bigger problem in these

places. To that extent, they may understate future employment needs in the Community, particularly in regions bordering or close to the countries from which immigrants are likely to come.

Labour Mobility: a Solution to Imbalance?

One approach to tackling the problem of labour market imbalances, and of uneven economic development, has been to encourage or assist people to move from areas where there is an excess supply of labour in relation to jobs available to areas where the reverse is the case. Indeed, difficulty in finding employment locally has always provided a strong incentive for people to move to find work elsewhere.

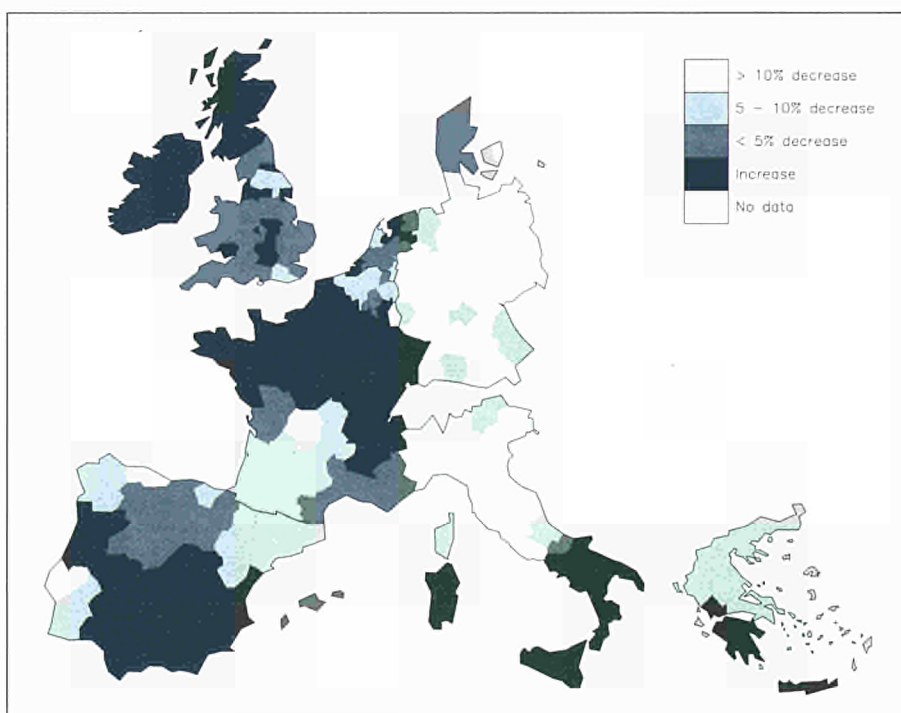
Usually, such movement has been from one region to another within the same country, but there have been a number of instances during the existence of the Community of large-scale movements between European and neighbouring countries. In the 1960s, for example, there was a considerable migration of North Africans into France, of people from the new Commonwealth into the UK and of Turks and Yugoslavs into Germany. Within the Community, until comparatively recently, there were large movements North from Spain, Portugal, Greece and Southern Italy into Germany and the Benelux countries, while migration from Ireland to other European countries still occurs on a significant scale.

Part of the measures included in the Social Action Programme involve the removal of the remaining restrictions on the movement of labour from one Member State to another. The underlying aim is to widen employment opportunities and ensure a more balanced labour market across the Community. However labour movements have never been seen as a major means of correcting labour market imbalance.

Moreover, the exodus of people from under-developed region, by removing their income and skills, is likely to make it more rather than less difficult for such areas to generate self-sustaining development. Equally, a rapid inflow of people into more prosperous areas can impose additional problems and costs in terms of increased congestion and in terms of pressure on local services, infrastructure and amenities.

It is, anyway, unlikely that any large-scale movements in labour will follow the removal of any remaining restrictions on labour movements. Language and cultural differences

91 Projected changes in working-age population 1990-2015



are likely to remain a significant obstacle to large-scale movements of labour. In addition, differences in business practices, especially as regards recruitment, promotion and the structure of pay, as well as in education and training systems, make it difficult for people to take up work in another country.

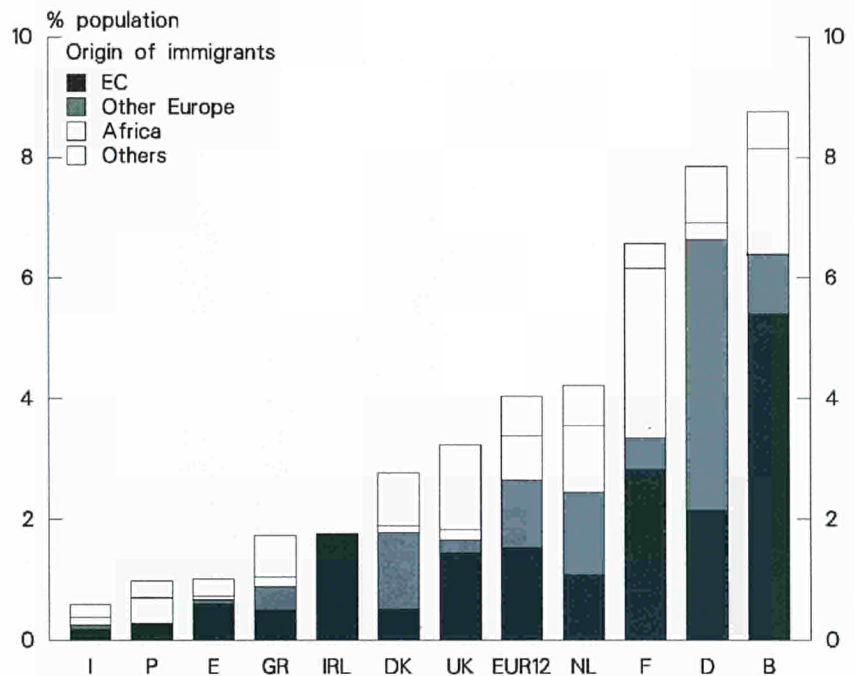
Migration between Member States

The scale of inter-country migration which has occurred in the recent past has been limited. The result is that, in 1989, only 4% of the people living in the Community were not nationals of the country where they were resident (Graph 92). (The numbers of people living in one country who are nationals of another does not give a complete indication of past migration, since such figures leave out of account those people who have immigrated and have since taken up nationality).

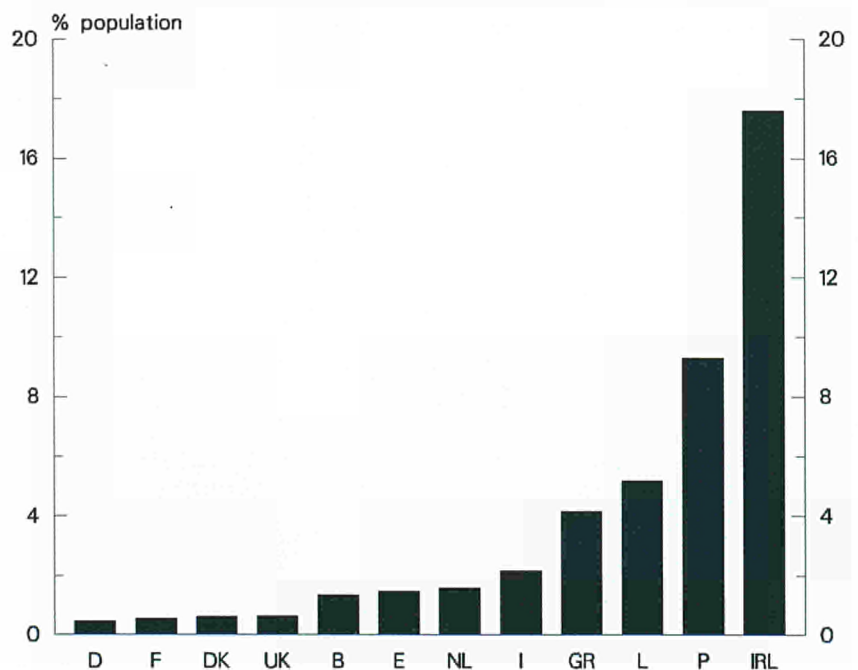
Less than half of the non-nationals were from other Community countries. Only in France, Germany and Belgium was the proportion of non-nationals in the population significantly greater than the Community average. The highest immigrant population is found in Belgium where it contributes nearly 9%, over half of these originating from other Community countries. In Germany, before unification (which will change the average figure), the overall figure was 8%, with three-quarters of the people concerned being from non-Community countries, especially countries in the rest of Europe. In France, the total was just under 7%, with a higher percentage (about 40%) coming from other Community countries.

In relation to the size of their populations, the main Community

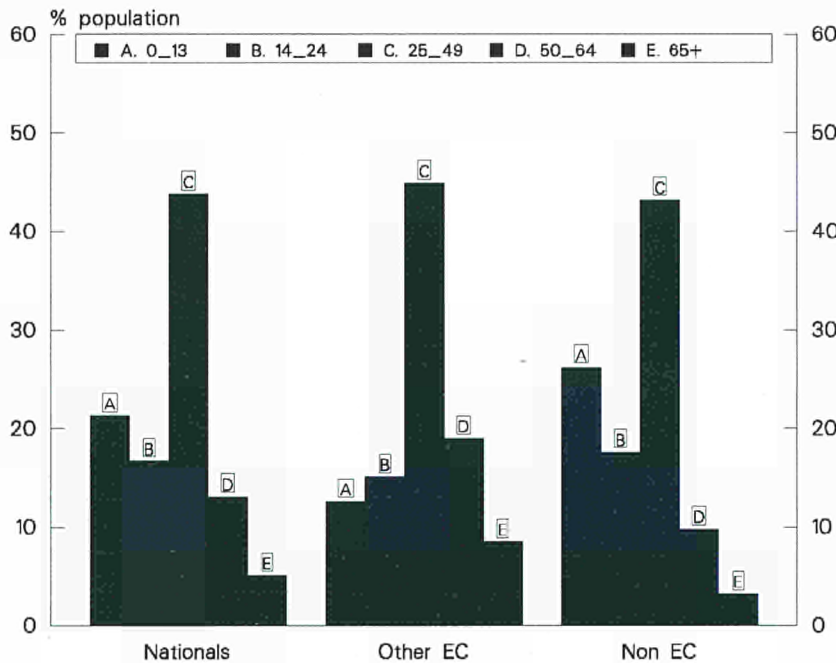
92 Share of immigrants in the total population of Member States 1989



93 Share of the population of the Member States now living elsewhere in the Community 1989



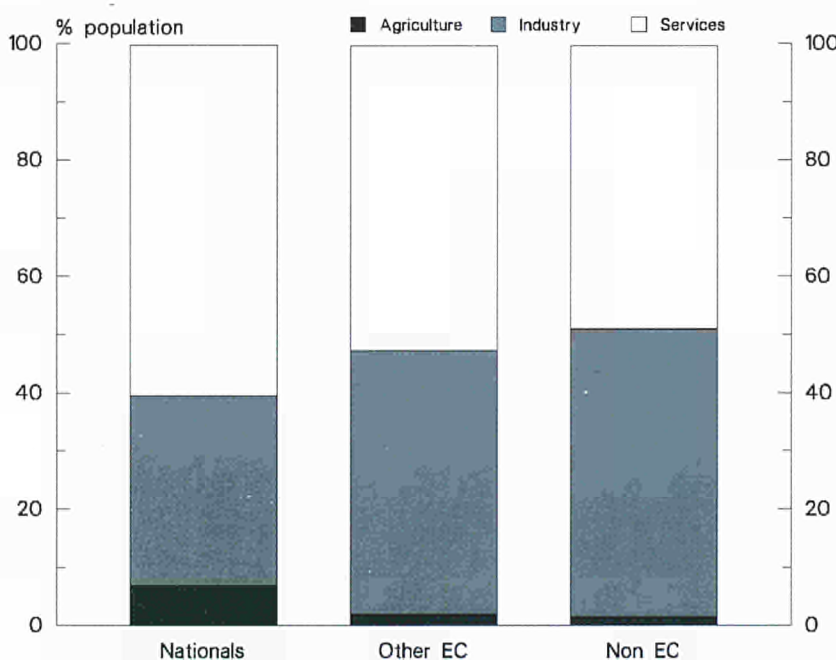
94 Age structure of the national and migrant population in the Community 1989



countries to have supplied migrant labour to the rest of the Community are Ireland and Portugal (Graph 93). Irish emigrants living in other Community countries in 1989 totalled almost 18% of the current population of Ireland, while the figure for Portugal was almost 10%. For the other countries, only in the case of Luxembourg and Greece was the figure above 4%. For Germany, France, Denmark and the UK, emigrants to other parts of the Community amounted to less than 1% of their population in 1989.

The age-structure of the immigrant population in Community countries tends to be different from that of the national population. For those coming from other Community countries, a relatively high proportion tend to be of working age (Graph 94). However, in the case of immigrants coming from outside the Community, a high proportion are children under 14 (over 25%).

95 Sectoral distribution of national and migrant workers in the Community 1989



The kind of jobs taken by immigrants also tend to be different from those taken by nationals. A much higher proportion of the jobs they take up are in industry, over 40% for Community immigrants and around 50% for immigrants from other countries, with a lower proportion in both services and agriculture (Graph 95).

In the past, the people involved in migratory movements have tended to be mainly unskilled manual workers taking up jobs in construction, industry or menial services. With the exception of the continuing migration from Ireland, such movements have been on a relatively limited scale, and largely reversed over the past decade.

However, there is evidence that the rate of inter-country migration within the Community is now

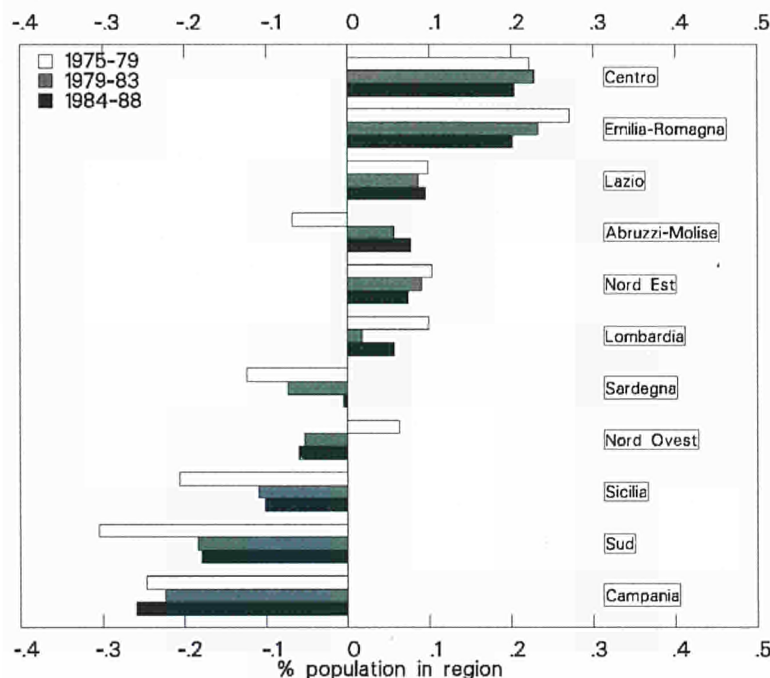
higher among professional and managerial workers than among manual workers, and this trend is likely to increase. The measures in the Single Market programme on the mutual recognition of professional qualifications and the comparability of vocational training qualifications will serve to facilitate and encourage this trend. Over 50% of foreign nationals coming to work in the UK over the period 1985–88, for example, were managerial or professional staff. A large part of this migration, however, takes place within multinational companies, as managers and skilled personnel are moved from country to country to gain experience or to tackle a particular job. It is also usually for a limited period of time rather than permanently.

A resumption of large-scale movements of unskilled, manual workers which occurred in the past seems unlikely. Not only is the demand for such workers diminishing over time as skills become more important, but also an increasing proportion of manual jobs are no longer in manufacturing but in services where the ability to relate easily to others and to communicate, often in more than one language, is becoming important.

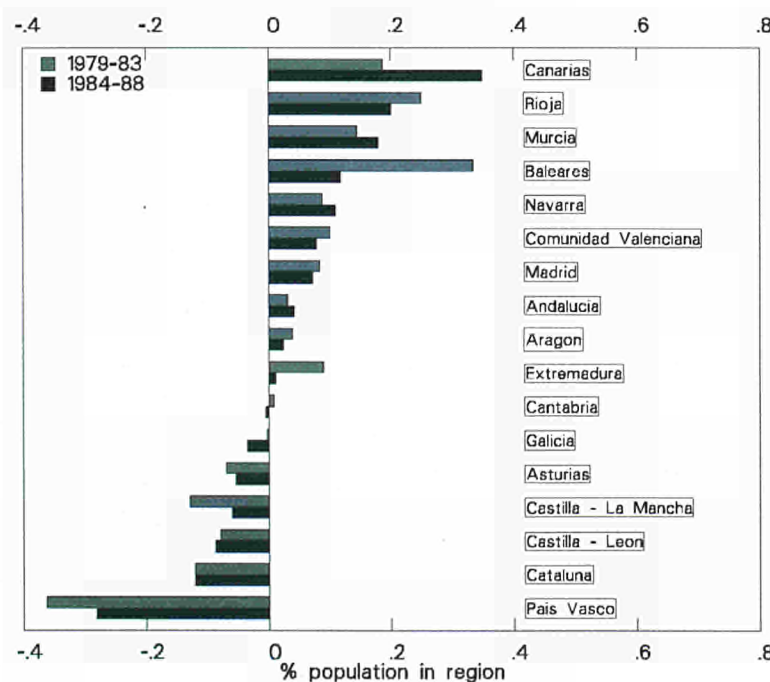
Inter-regional migration

Labour movements within countries involve fewer obstacles than labour movements between countries. Nevertheless, in recent years the scale of outward migration from problem regions to other areas seems to have declined in Southern parts of the Community. In Italy, in particular, the large movements of, mainly young, people from the Mezzogiorno to the North in search of work was significantly less in the 1980s than was the case over the 1970s. For Sicily, for example, net

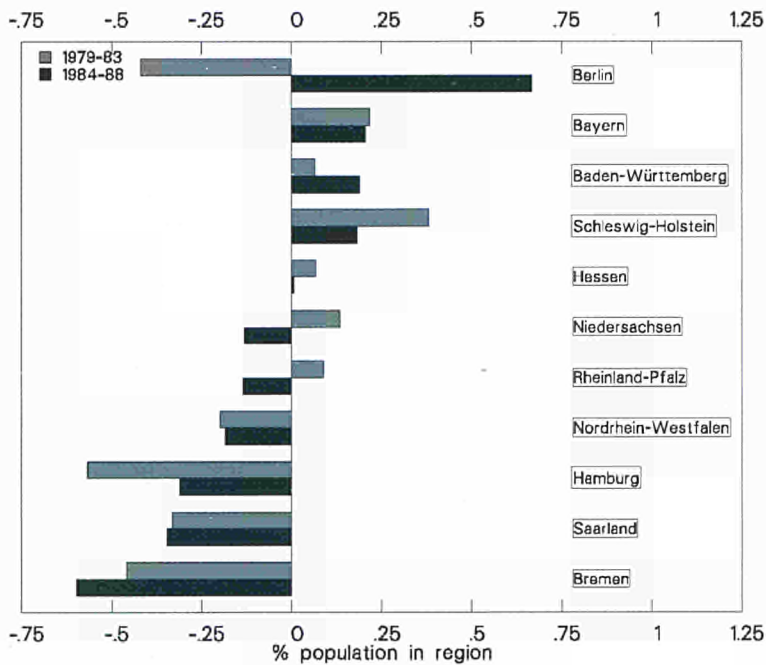
96 Inter-regional migration — Italy



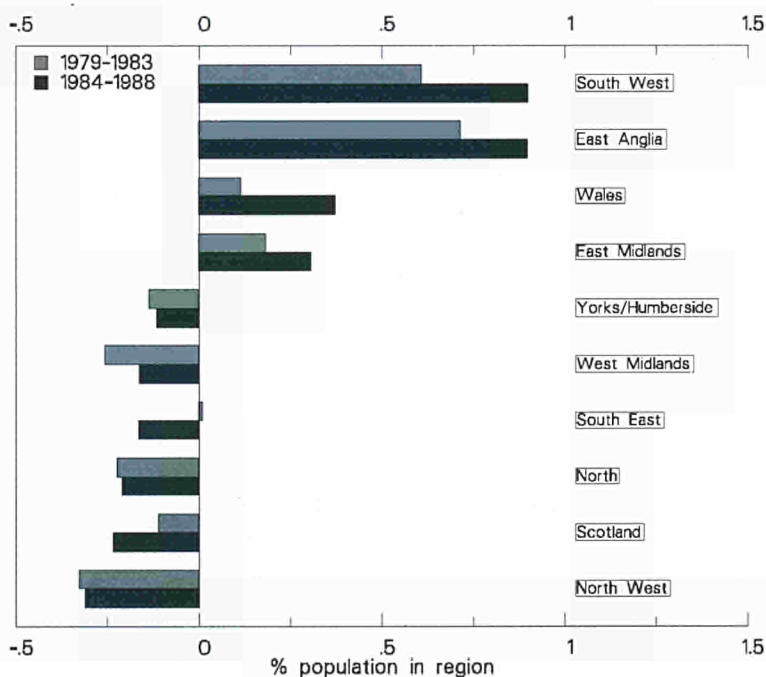
97 Inter-regional migration — Spain



98 Inter-regional migration — Germany



99 Inter-regional migration — United Kingdom



emigration averaged 0.1% of the population over the period 1980 to 1988, half the rate for the period 1975–79 and substantially less than the rates in the 1950s and 1960s (Graph 96). The same pattern is evident for the Sud region and Sardinia.

In Spain, there seems to have been a slowdown in migration between the first and second half of the 1980s, with, for example, net outward migration from Pais Vasco, Castilla la Mancha and Asturias falling between the two periods (Graph 97).

For Germany and the UK, however, the pattern is somewhat different. In the former case, there is evidence of a general movement from the North (and East) to the South (and West) over the 1980s, except for Schleswig-Holstein, the most northerly region which experienced a net influx of migrants. The scale of the movement, moreover, tended to be larger in the second half of the 1980s than the first half (Graph 98).

In the UK, there also seems to have been some acceleration in the scale of inter-regional migration over the 1980s, with the South West, East Anglia, Wales and the East Midlands, all experiencing larger net inflows between 1984 and 1988 than over the preceding five years and Scotland, in particular, experiencing a bigger outflow (Graph 99).

In general, however, the scale of inter-regional migration was relatively small over the 1980s and its effect in reducing local population, and therefore local labour supply, was relatively minor.

Chapter 5 Employment In Agriculture: Decline And Diversification

Employment in agriculture is declining rapidly but the sector is still important in many rural areas, especially in the South of the Community. Strategies for rural development need to be based around the specific attributes of different areas.

Introduction

Over the past 30 years, many rural areas of the Community have undergone a dramatic change in life-style and employment. In part this is due to wider changes in the geographical distribution of the population, but it is also due to changes in the agricultural sector — which is a fundamental element in most rural economies — and which has continued to decline in importance both in terms of its contribution to the Community economy and as a source of employment and income in rural areas.

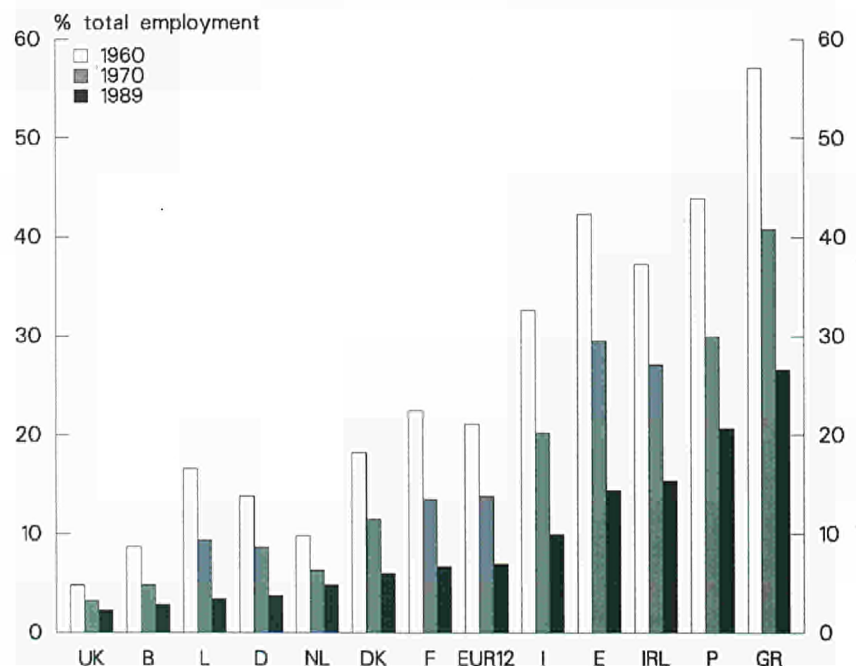
The regular downward trend in agricultural employment is expected to continue. In addition, however, the industry will have to contend with policy changes, both resulting from the reform of the Common Agricultural Policy as well as the GATT negotiations.

Although agricultural employment is found in both rich and poor areas of the Community, it is more significant in the poorer areas. As a result, the structural changes resulting from these policy changes and the on-going agricultural de-

cline will have a greater impact in the poorer areas. However, these changes are likely to put into even higher relief the economic problems of the less-developed, rural, remote areas — many of which currently depend heavily on traditional, low-productivity agriculture for their

employment and, indeed, their survival. New rural development options are being considered, or pursued, with a view to replacing part, at least, of the declining agricultural employment with new employment in small-scale industry or in various service activities.

100 Share of employment in agriculture in the Member States 1960, 1970 and 1989



Agricultural Definitions and Concepts

The concepts used to describe agricultural employment, output, productivity, etc. are no different from other areas. However, in order to take account of the particular characteristics of the agricultural industry, and to meet the needs of the Common Agricultural Policy, the Community has developed its own economic and accounting indicators. The principal ones are described below. This chapter uses the more common terms used in employment analysis for reasons of simplicity, but they should be understood to refer to the concepts below.

Agricultural Labour Force — comprises the holder, members of his family (family workers) and non-family labour.

Annual Work Unit (AWU) — the amount of agricultural work done by one full-time worker in a full year, estimated at 2200 hours. In order to allow for the fact that many agricultural workers do not work full-time, employment is usually expressed in AWU rather than in numbers employed.

European Size Unit (ESU) — a measurement of the economic, as opposed to the physical size of the holding. It is an indicator of the income generating capacity of the holding. 1 ESU is currently equal to 1200 ECU of Standard Gross Margin (see below). Holdings are classified into ESU according to the composition of their total SGM. The less the ESU, the lower the potential income generated by the holding.

Holder — the natural or legal person in whose name the holding is operated. The holder may own the holding outright, rent it, be an hereditary long-term lease-holder, a usufructuary or a trustee.

Other gainful activity — employment in an activity other than farming, either on the farm premises (tourism, processing and retailing of farm products, crafts), or off the farm in a part-time or full-time employment.

Standard Gross Margin (SGM) — a measure of the potential income which can be generated by a holding. It is the difference between the monetary value of gross agricultural production and the specific costs which have gone towards that production.

Utilised Agricultural Area (UAA) — the amount of land used for agricultural purposes, it usually excludes forestry and fish farming.

Past Employment Trends in Agriculture

Agricultural employment in the Community of Twelve has declined at an average rate of 2.8% a year since 1960. Then, it made up nearly one quarter of total employment, providing jobs for some 27 million people. By 1989, employment had fallen to 7% of the Community workforce. Over the same period, employment in services rose from 38% to over 60%.

While the decline in agricultural employment has occurred in all Community countries, there has been an imbalance between the Northern and Central areas on the one hand, and the Southern and peripheral areas on the other, even taking into account the accession of countries to the Community and their integration into the CAP.

In the original six Member States in 1960, the share of agriculture in total employment ranged from 9% in Belgium to 33% in Italy. In the next three Member States to join the Community, the share of agricultural employment in 1960 had been 5% in the UK, 18% in Denmark and 37% in Ireland. In the last three countries to join, the share of agriculture in total employment in 1960 ranged from 42% in Spain to 57% in Greece (Graph 100).

By 1970, employment in agriculture was down to 5% in Belgium, 20% in Italy, 3% in the UK, 27% in Ireland, 30% in Spain and 40% in Greece. By 1989 it had fallen still further in Belgium and the UK — to under 3% — but it still accounted for 15% of employment in Ireland and 26% in Greece.

The situation in the UK — where the share of employment in agricul-

ture was already below 20% in the mid-19th century and below 10% by 1900 — is due to a number of specific historical factors. The enclosure movement and the agricultural revolution forced people off the land and created new, larger farms. In addition, the rules governing inheritance allow holdings to pass from father to son intact, without the fragmentation common in many continental European countries.

Overall the agricultural workforce fell from 17% to 6% in the Community of nine and from 46% to 20% in the three new Member States over the period 1963 to 1989. This decline in the agricultural workforce has now slowed everywhere, from an annual average rate of 4.5% in the 1960s to 2.4% in the 1980s.

At the same time, two new pressures are likely to accelerate the decline in European agriculture, although their effects on agricultural employment are more uncertain. First, farm production is still increasing faster than demand, while the objective of the CAP is shifting away from stimulating output to ensuring a better match between supply and demand.

Secondly, the increasing intensity of farm production, particularly in the Northern and Central areas with the heavy use of nitrogenous fertilisers, has raised environmental issues in relation to farming, with agriculture being increasingly blamed for pollution and environmental damage. The relationship between agricultural and ecological structures will increasingly have to be taken into account.

Both trends are likely to strengthen. The GATT negotiations will reinforce the trend towards a better balance between production

Statistical Sources

The principal sources for data on agricultural employment are:

Labour Force Survey (LFS) — an annual survey of approximately 1% of households in the Community. Based on ILO definitions, it is the source for comparisons between agriculture and other sectors. Family workers are not distinguished in the UK.

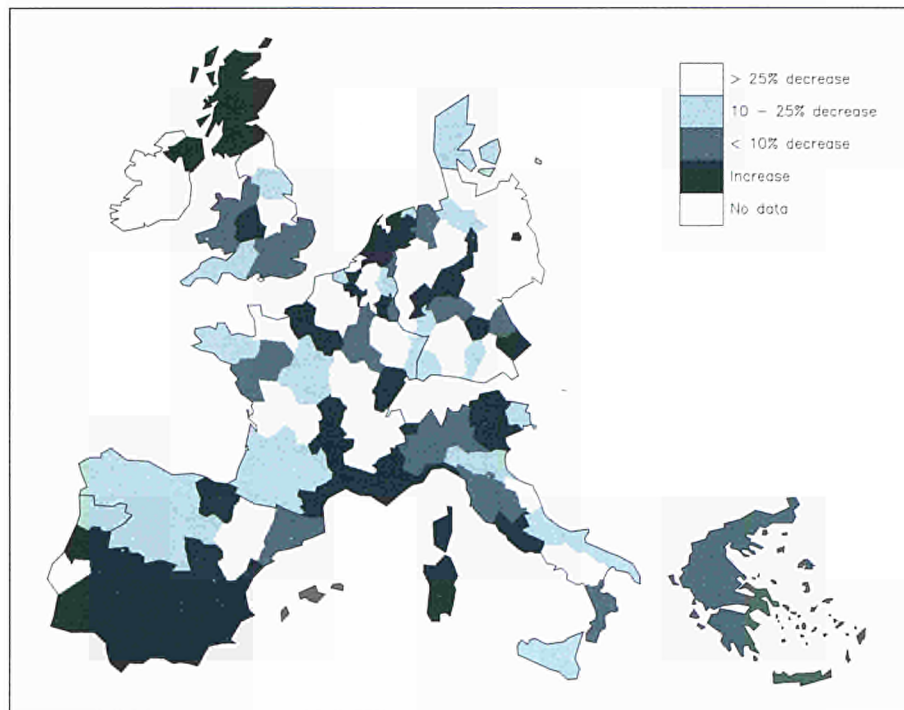
Farm Structure Survey (FSS) — two-yearly sample survey of agricultural holdings, it provides data on the structure of agricultural holdings. It is the principal source of data which relates the holder to his holding.

Farm Accountancy Data Network (FADN) — annual sample survey of commercial farms, it relates to farms exceeding a specific size, ranging from 1 ESU in Portugal to 16 ESU in the Netherlands and covers financial and accounting aspects of agriculture. It is used for assessing incomes and productivity.

101 Distribution of employment in agriculture 1989



**102 Changes in employment of women in agriculture
1985-89**



and consumption, while rural development policy will give greater emphasis to protecting the rural environment from competing pressures rather than increasing the pace of economic development. In any event, the end result is likely to be fewer farms, and fewer farmers able to generate an economically and socially acceptable income from farm production alone.

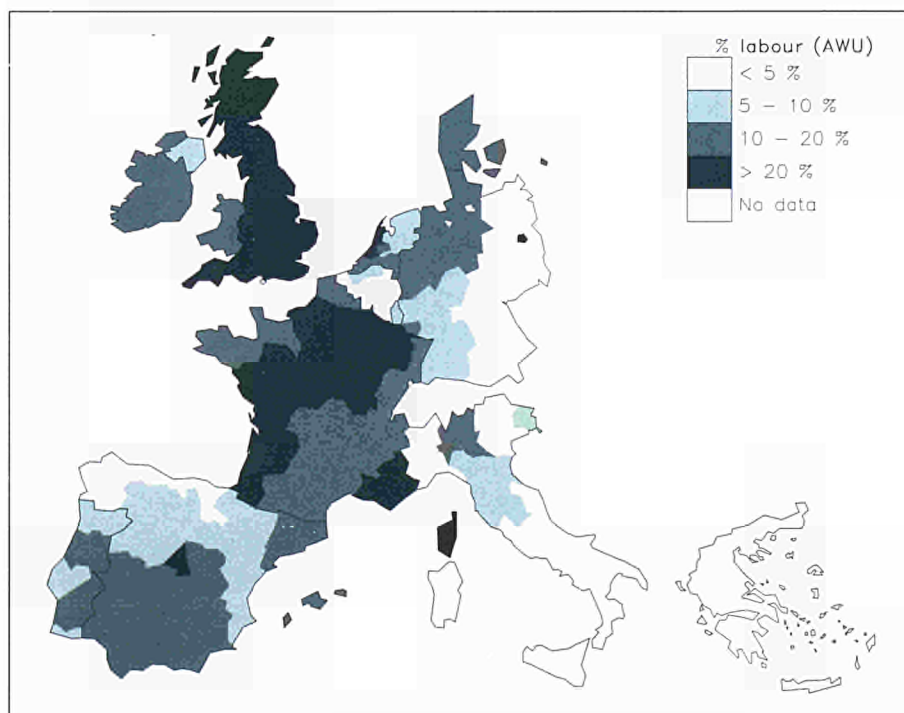
Agriculture now contributes only 3.4% of Community GDP, down from 5.4% in 1970. Among the Community's 166 standard regions, there are only 17 where agriculture provides more than 10% of the regional product and none where it generates more than 30% of the gross value-added.

Furthermore, agriculture is unevenly distributed across the Community's regions and many of the characteristics of agricultural activity and the problems they raise differ greatly between the central and peripheral regions of the Community (Map 101). Since Ireland, Greece, Spain and Portugal joined the Community, there has been a sharp increase in the proportion of areas which are remote, rural, and poor — where the population is heavily dependent on agriculture, yet where many farms are unable to generate sufficient income to support those living there.

Current Employment in Agriculture

Some 9 million people now work the equivalent of a full year in agriculture, although nearly 18 million still have an attachment to the land in some form or another (see Box on statistical sources and Box on definitions). Of these 9 million, 65% are men and 35% are women.

**103 Proportion of agricultural employment filled by regular employees
1987**



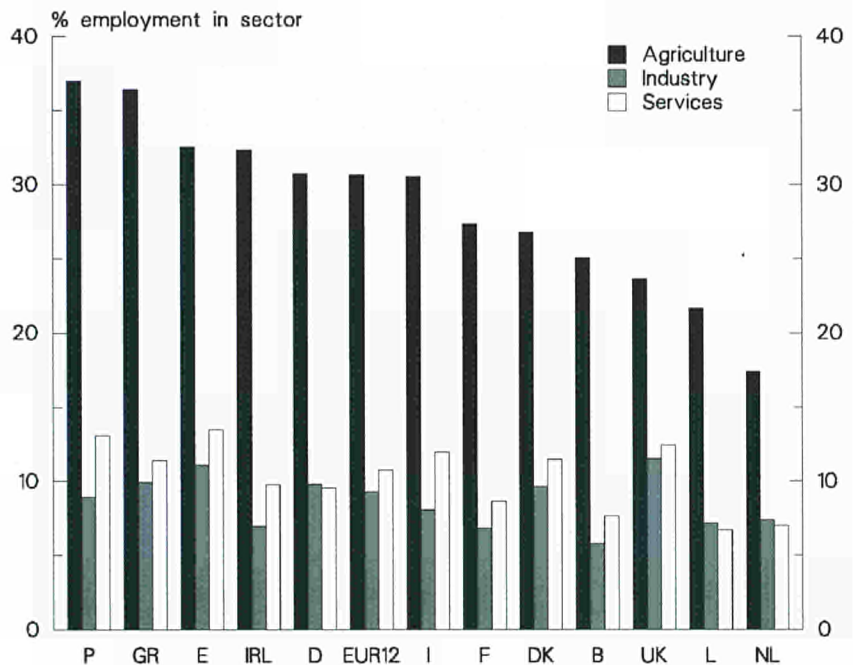
The rate of women's employment in agriculture is much higher than in industry and lower than in services, and may be explained by the higher number of family workers in agriculture. Half of all family workers in the Community work in agriculture and 74% of them are women, the same proportion as in services.

Women's employment in agriculture is particularly concentrated in certain Southern regions of the Community (Italy, Greece, Portugal) and in Southern and Central Germany. To a large extent, however, women's employment in agriculture is increasing most in those areas where it is currently the lowest, such as Southern Spain and Portugal, Southern France, Northern Italy and Scotland. Some areas of southern Germany have registered the biggest losses (Map 102).

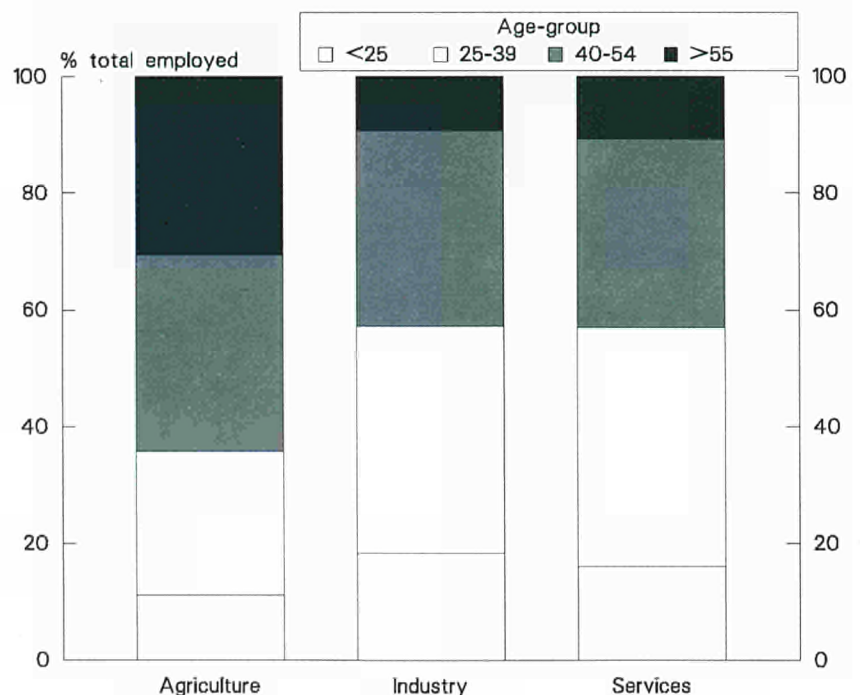
Agriculture is also still characterised by the family nature of its employment. Over half of the people working in agriculture are self-employed, compared with 10% in industry and 15% in services. A fifth are family workers and only a quarter are paid employees. The extent to which farms use a high proportion of regular employees is also highly concentrated. In the UK and parts of France and the Netherlands this figure is over 20% while in some Southern areas (Italy, Greece) and Southern Germany and Belgium it is less than 5% (Map 103).

Hours worked in agriculture are also considerably longer than in other sectors, partly because of the nature of the work, partly because of the family nature of the enterprises. Average hours worked in agriculture were 47 hours a week in 1989, compared with 40 hours in industry and 38 in services. Irish farmers worked the longest — 61½

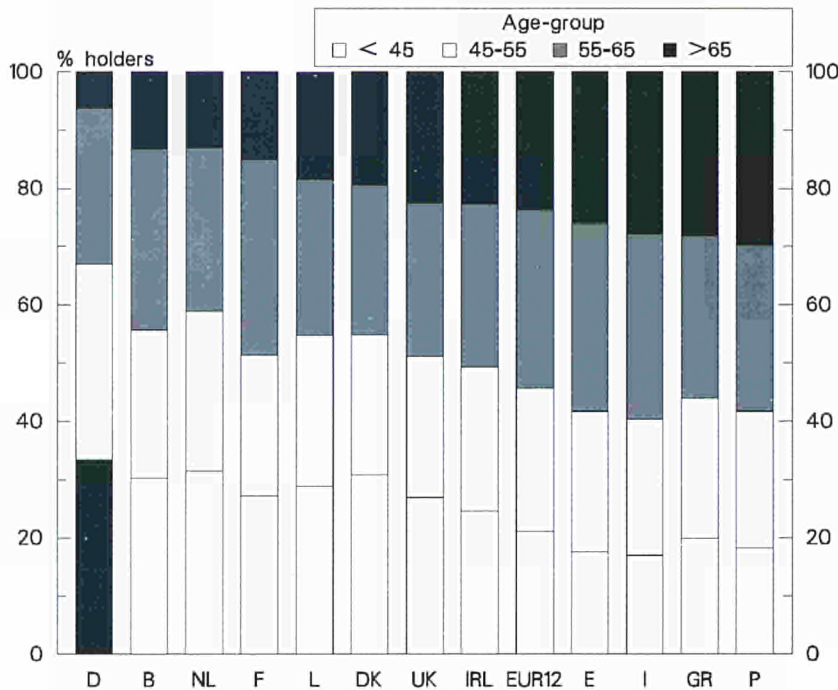
104 Proportion of workers aged over 55 in agriculture and other sectors in the Member States 1987



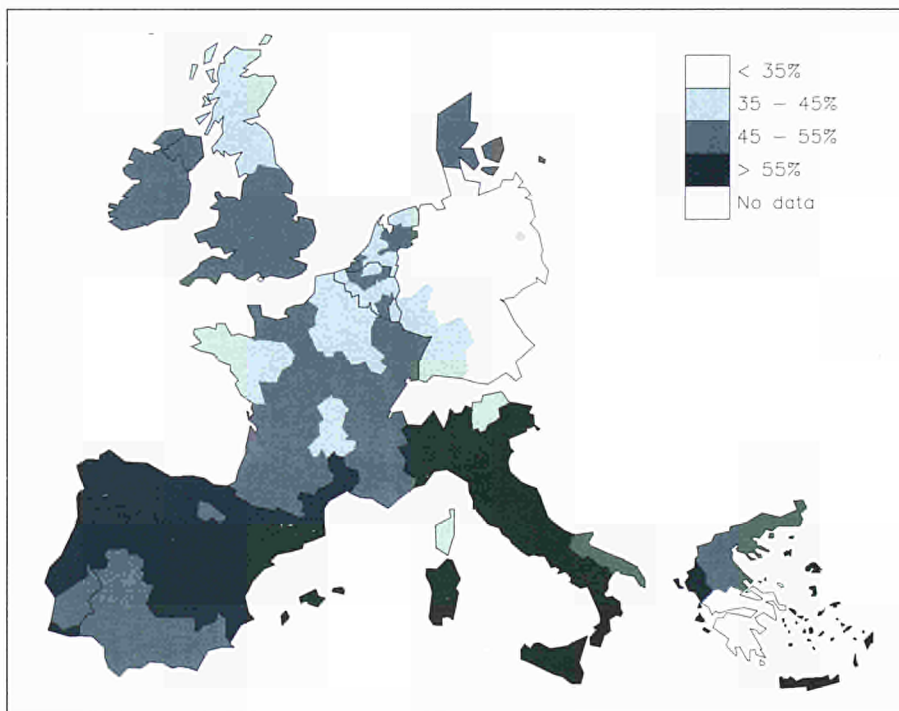
105 Age distribution of workers by sector in the Community 1989



106 Age distribution of holders in the Member States 1987



107 Proportion of agricultural holdings with a holder aged over 55 years 1987



hours a week, while Dutch farmers, who worked the shortest week, still worked an average of 43 hours.

Age Structure

Perhaps the most striking feature of the agricultural labour force is its age structure. When compared with industry and services, agriculture has by far the largest proportion of workers aged over 55 with a disproportionately low share in the two lowest age-groups (under 25 and 25-39). Over 30% of the agricultural workforce is aged over 55 whereas in industry and services it is around 10%. Less than 40% of the agricultural workforce is aged under 40 while in industry and services it is nearly 60% (Graph 105).

Furthermore there is a marked difference in the age structure of the agricultural workforce between the North and the South of the Community. With the exception of Germany, all the Member States where the proportion of workers who are 55 or over is below the Community average are in the North, and all those where it is above the Community average are in the South (Graph 104).

This imbalance in the age structure reflects the restructuring of employment in the Community in the last thirty years. The majority of the decline in the agricultural workforce can be attributed to young people, mainly family members, leaving agriculture for other employment. In many cases they will have found jobs in industry or, more probably, in services. Often they will also have left the region in search of a new job.

The ones remaining on the farm when the young family members leave are the holders themselves.

When farmers rather than the agricultural workforce are considered, the bias is even more pronounced (Graph 106). Half of all farmers in the Community are over 55 years of age, and half of those have no successor. The number of holders therefore has an inevitable tendency to decline.

Elderly farmers are also concentrated on very small holdings. In the Southern parts of the Community, 30% of farmers are over 55 years old and on a holding of less than 5 hectares. There are 30 regions in the Community — all in Italy, Greece, Spain and Portugal — where the agricultural area in use is well below the Community average and the proportion of elderly farmers is very high. The most extreme cases are Liguria, Galicia, Algarve, the Peloponense and the Ionian islands, where the average holding is between 2 and 5 hectares and the proportion of elderly farmers reaches 60–70% (Map 107).

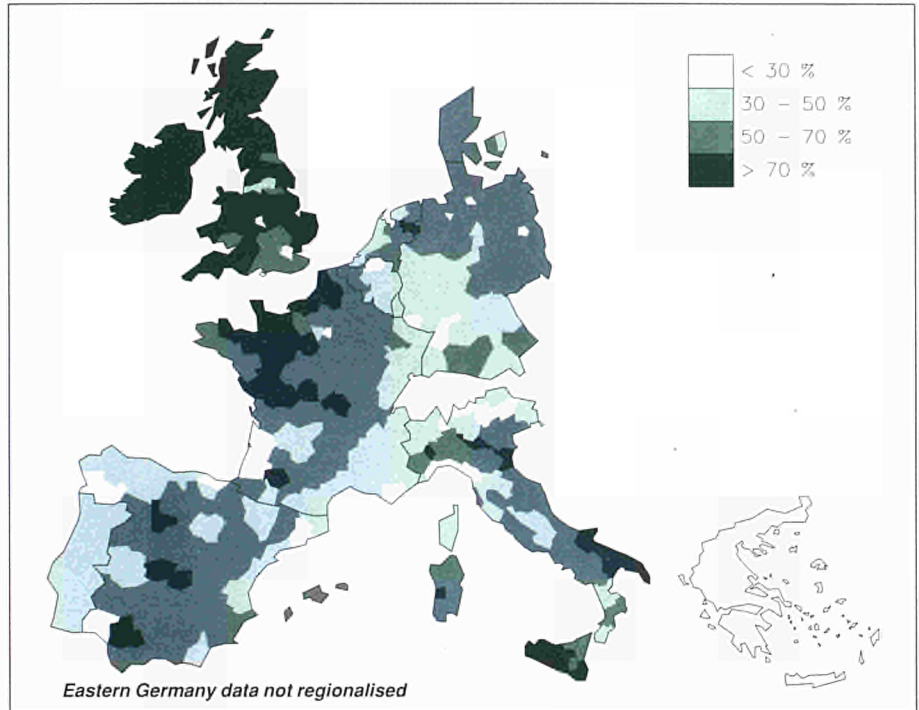
The Structure of Agriculture

Restructuring has affected almost all aspects of the agriculture industry and rural societies, yet agricultural activity in the Community remains fragmented and unevenly distributed. Some 60% of the Community's total land area is used for agriculture (80% if woodland is included), ranging from under 30% around the main population centres to over 70% in large areas of the UK, Central France and parts of Italy, Spain and the Netherlands (Map 108).

This agricultural area is made up of over 8½ million individual holdings, the average size of which is small (just over 13 hectares — only slightly more than in 1970 when it

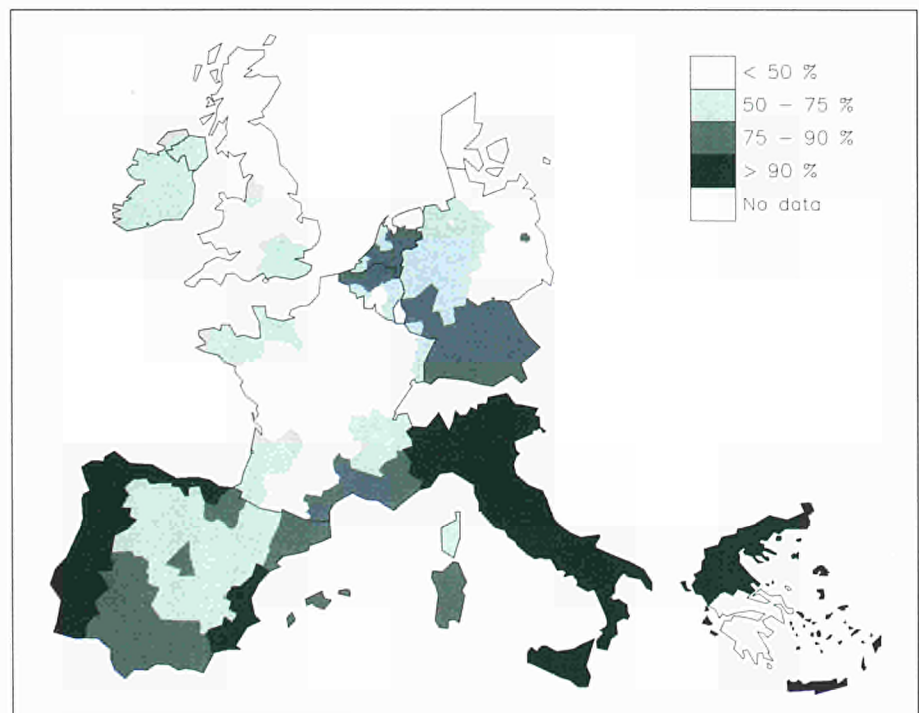
108 Proportion of land area utilised for agriculture

1987

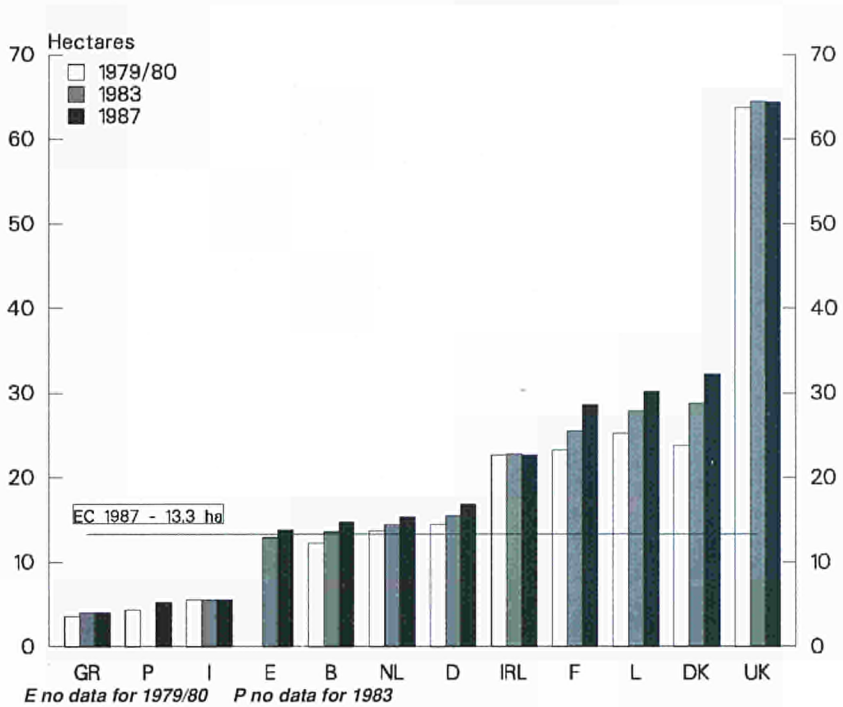


109 Proportion of agricultural holdings < 20 ha in size

1987



**110 Average size of farms in the Member States
1979/80, 1983 and 1987**

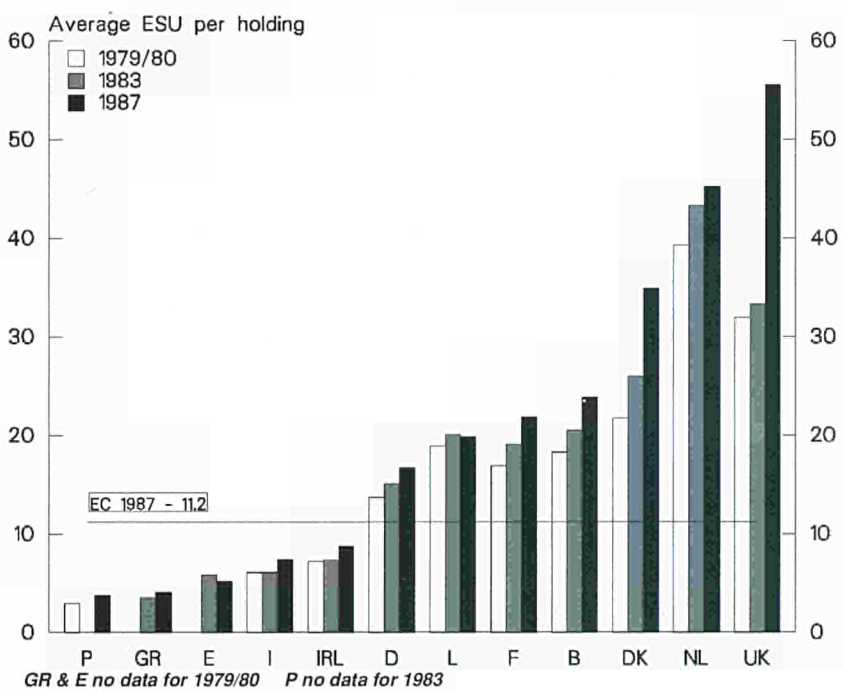


averaged 12 hectares). Furthermore, there has been increasing polarisation of employment in relation to the size of farms, with more production concentrated on farms of 50 hectares and over, while a considerable proportion of employment is concentrated on holdings of 5 hectares and less.

Nearly 50% of holdings are less than 5 hectares in size, while only 7% are over 50 hectares. The smaller holdings are concentrated in the Southern countries. In most of Italy, Greece and Portugal, over 90% of farms are under 20 hectares, while in most of the UK and France less than 50% of farms are below this size (Map 109). As a result, while the average size of holding in Greece is only 4 hectares, in the UK it is 64 hectares (Graph 110).

The size of farms measured by the potential income they are capable of producing, rather than by their physical size alone, also varies widely across the Community. Graph 117 shows the distribution of farms according to their economic size (see Box on definitions and concepts).

**111 Average economic size of farms in the Member States
1979/80, 1983 and 1987**



While there is a close correlation between the economic size of farms and their land area, there are, nevertheless some differences (Graphs 110 and 111). The average economic size of holdings is significantly above the Community average in the Netherlands, the UK and Denmark. The difference between the two measures is particularly marked in the Netherlands, where although the average size of holding is only just above the Community average, the average economic size is second only to that of the UK.

At the other extreme, 57% of holdings in the Community fall into the

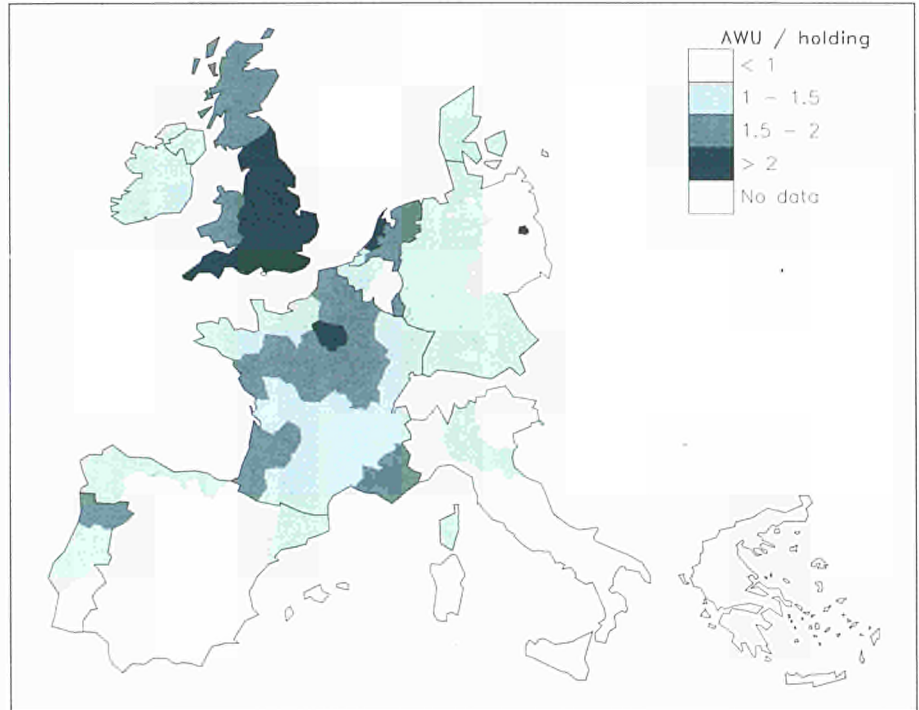
two lowest categories of economic size (less than 4 ESU or 4800 ECU — see box on definitions). In Portugal 54% of holdings are less than 2 ESU, in Spain 51% and in Greece 47%.

The number of people employed on a holding is determined partly by the size of the holding and partly by the productivity of the holding, which depends mainly on the characteristics of the land, the type of farming and the degree of mechanisation. Map 112 shows the average number of full-time workers (or their equivalents) per holding. Only farms in the UK, the Paris basin and part of the Netherlands provide sufficient employment on average for more than two full-time equivalent workers a year.

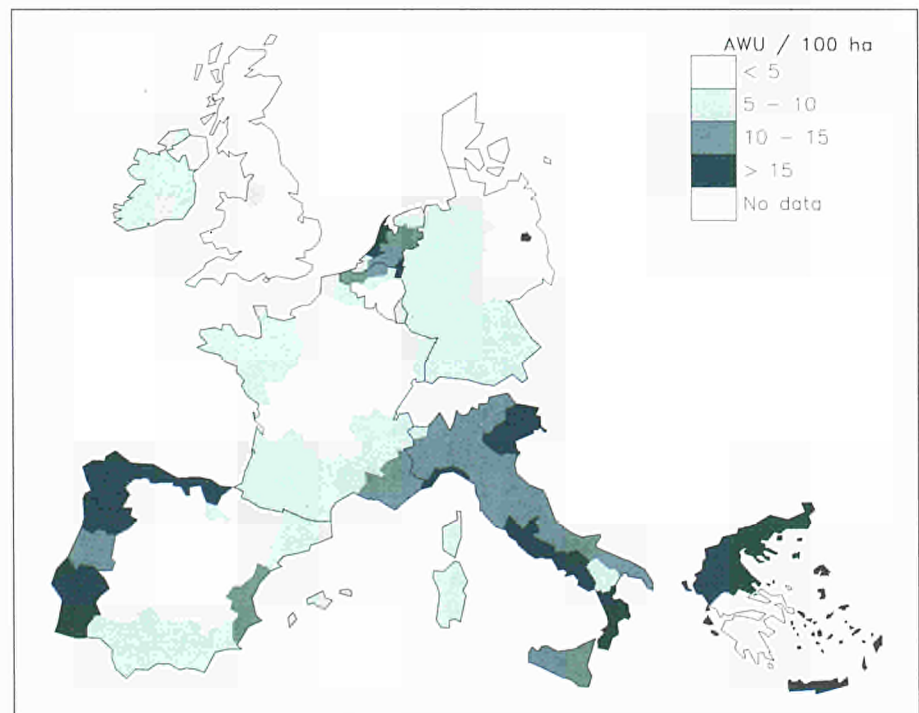
In most of Spain, Italy and Greece, the average holding is too small even to provide sufficient work for one full-time person. This trend is likely to strengthen. With better and more machines, a single farmer, with or without his family, can farm a much larger area than 30 years ago.

Despite the steady decline in agricultural employment, farming remains a labour-intensive occupation in many parts of the Community. One of the measures of labour intensity in agriculture is the number of workers for every 100 hectares of holding (Map 113). In general, the Southern parts of the Community are more labour intensive than the northern parts, ranging from 22 workers per 100 hectares in Greece to 13.7 in Italy. Spain presents a contrast. In the North-East, farms are highly labour-intensive, with over 15 people for every 100 hectares, while the Central plains are more extensively farmed, with less than five people per hectare, similar to the Northern

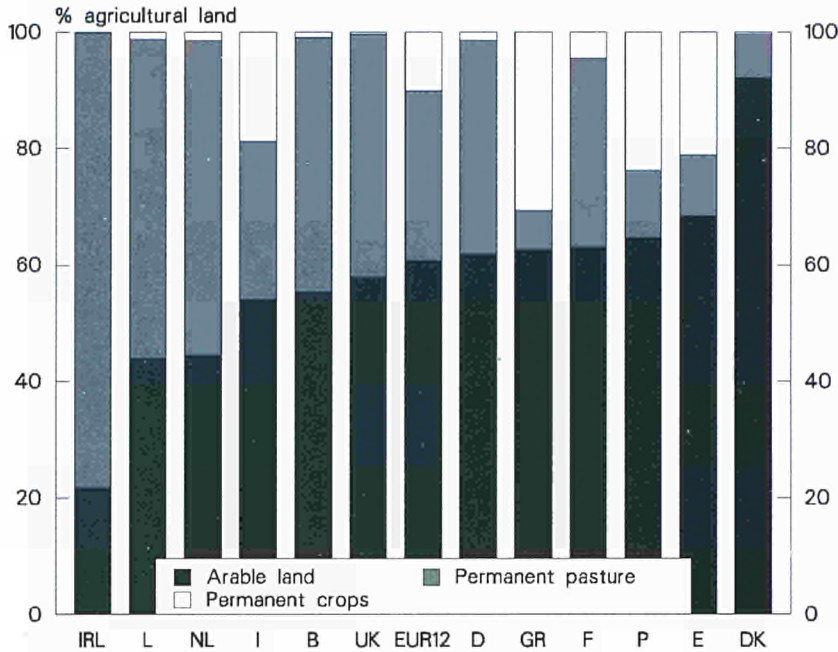
112 Average number of full-time workers per agricultural holding 1987



113 Labour intensity in agriculture — Average number of full-time workers per 100 ha of agricultural holding 1987



114 Distribution of agricultural land by type of use in the Member States 1987



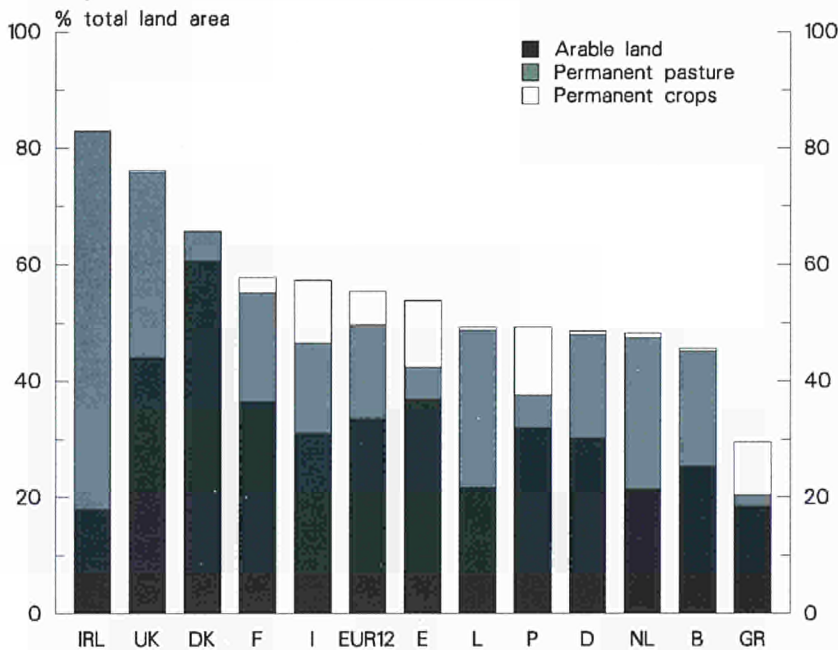
countries which range from seven workers per 100 hectares in Germany to only three in the UK.

The type of farming and the intensity of that farming determine the number of workers required. Cereals, crops and grazing livestock require fewer people per hectare than gardens, fruit crops and pigs and poultry.

In the Community as a whole, more than half of farmland is devoted to arable farming (such as cereals), some 40% to meadows and grassland — for sheep and cattle grazing — and under 10% to permanent crops and gardens (such as fruit and vegetables) (Graph 114).

The structure of farming varies widely between countries, with a high degree of specialisation in many cases. In Denmark, for example, 92% of farmland is used for arable farming while, in most other countries, this figure is between 50–60%. In Ireland, on the other hand, some 80% of agricultural land is used as grassland. While Ireland has only 0.8% of the Community's employed population, it has 8% of the Community's cows and 5% of its sheep. Elsewhere grassland accounts for between 17% (Portugal) and 63% (UK) of agricultural area (Graphs 115).

115 Distribution of agricultural land by type of use in relation to the proportion of total area utilised for agriculture in the Member States 1987



Output, Value-Added and Productivity

All agriculture uses land, but some agriculture uses more than others. Output, employment, income and productivity in agriculture all reflect the way the basic resource, land, is used.

Farmers' incomes are principally determined by the productivity of their farms, either in terms of the

labour used or the output per hectare. These are, in turn, determined by a combination of geographical location, size of holdings, type of production and degree of capital/labour intensity.

These factors are not independent and tend to be mutually reinforcing. Central and Northern regions of the Community, for example, have large areas which have high rates of productivity under both measures, while Southern and peripheral regions (where holdings tend to be small and labour-intensive) have few areas with high rates of productivity under either measure, and none with both.

Some of the differences in productivity can also be explained by the type of farming which is practised in different regions and countries.

In the Community as a whole, three types of farming (pigs and poultry, dairying and horticulture) generate 33% of net value-added with 22% of the labour force. At the other extreme, grazing livestock, general cropping, and other permanent crops generate 42% of net value-added with 54% of the labour force.

Dairying is concentrated in the Northern and Central areas. General cropping, which is very labour-intensive, predominates in Greece, Spain, Italy and Portugal. Although pig and poultry rearing are widespread in both Greece and Portugal — two of the countries with the lowest farm incomes — they are also concentrated in Denmark and the Netherlands where farm incomes are among the highest.

In the Community as a whole, 20% of farms produce a value-added twice that of average GDP per head, while at the other end of the scale,

20% of farms produce a value-added of around one-third average GDP per head. There are wide differences between the Member States: net value-added in Portugal is only one-fifth the Community average, in Greece and Spain it is between one-half and three-quarters. In Belgium, Denmark and Luxembourg it is nearly three times as great.

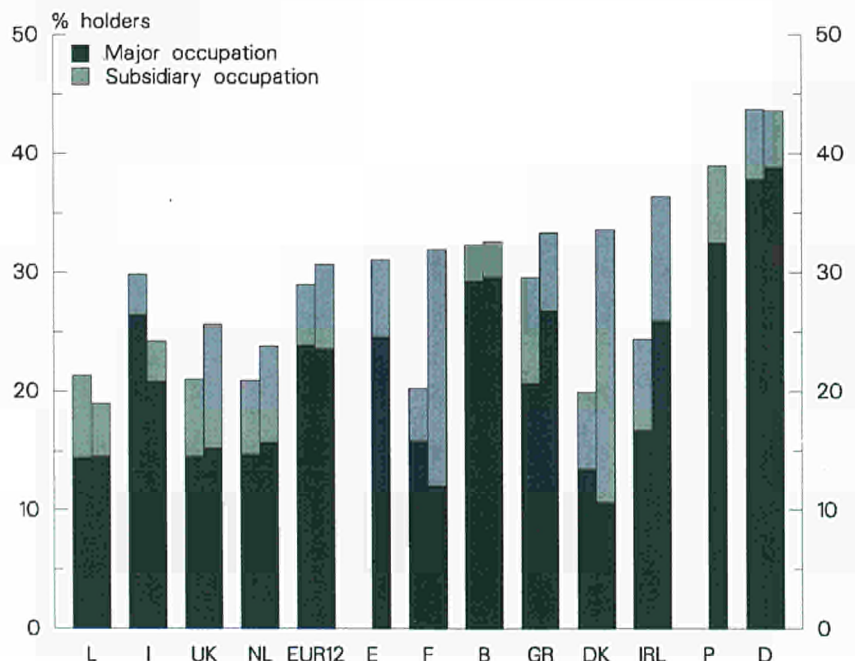
The distribution of agricultural incomes within Member States tends to be in line with incomes in general — the lowest agricultural incomes are in Greece, Spain, Italy and Portugal. In these countries, the top 20% of farm incomes are 4–5 times higher than the average compared to around double elsewhere. This is because there are large numbers of micro-holdings which do not even support holders and their family, and only a small number of large holdings. Incomes are most evenly

distributed in the Benelux countries, while in the UK there is a concentration at both the bottom and the top.

Multiple Jobs and Multiple Sources of Income

The continuing existence of large numbers of micro-holdings — 55% of holdings in 1987 occupied one full-time equivalent worker or less — means that many farmers supplement their incomes and activity with other activities. Some are linked to their farming, others are in a completely different occupation on either a full-time or part-time basis. 30% of holders have another occupation, and for 77% of these the other job accounted for more of their time than farm work (Graph 116). (See

116 Farmers with alternative employment in the Member States 1987



also *Employment in Europe 1989*, Chapter 11 — ‘The Black Economy’).

While a second job or activity is more common on smaller holdings, it is less widespread than might be expected in the poorer regions where, given the size of the holdings and the working time required, the farmer would be in a position to do a second job and may, indeed, need the income. In fact, in those countries where a majority of holdings are small (Graph 117), only about half of farmers have any secondary activity.

On the largest farms, on the other hand, there is still a substantial amount of secondary activity. In the Community as a whole, over 12% of holders on farms larger than 40 ESU had another economic activity. In France and Denmark this figure was 20–30%.

On the smaller holdings, agriculture may often be secondary to the major occupation. On the smallest holdings (less than 2 ESU) the secondary activity is the major occupation for 90% of farmers. Nowhere is this figure less than 80%. On the bigger holdings, on the other hand, farming itself is the major occupation. On the largest holdings three-quarters of farmers treat farming as their major activity.

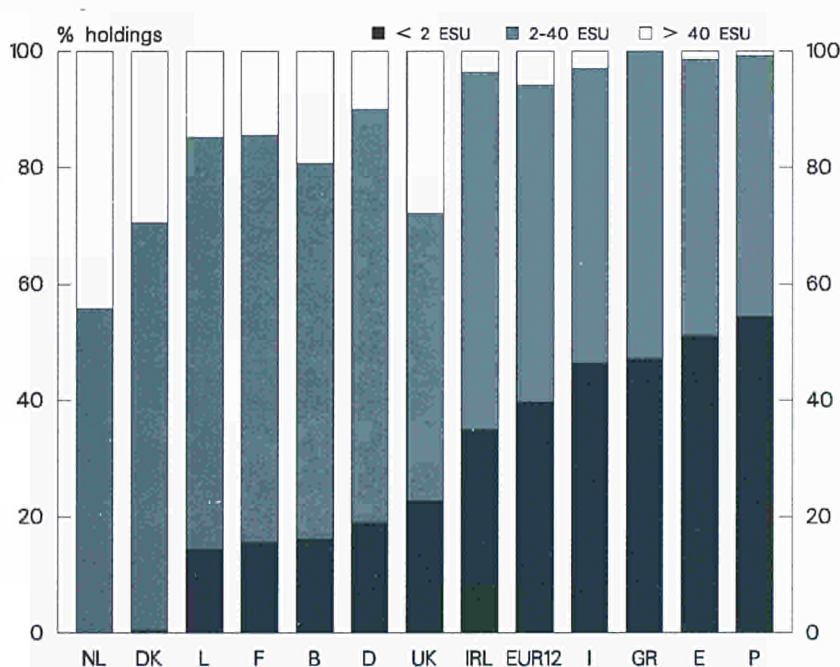
The smaller the holding, the less time is usually needed by the farmer to run his holding and the more time is available to be devoted to another activity. It is mainly holders working less than half time (0–50% AWU) who have another paid employment which is likely to be the major occupation (43% in the Community). At the other extreme, 8% of holders, apparently working full time on their own holding, also have another major occupation.

This figure reaches 24% in the UK and France.

Similar trends apply to members of holders’ families. Between 1980 and 1987 the proportion of family workers with another gainful activity increased everywhere except Greece, Italy and Portugal. In Greece and Italy 90% of family workers work less than full time in agriculture, but only 24% have any other gainful activity.

While the size of the holding, the income obtained from it and the time devoted to farming are all obviously important in determining the extent to which a farmer or a member of his family can supplement their income with another activity, the single most important factor is the availability of suitable opportunities. It is the lack of such opportunities which leads to the high rates of concealed unemployment in the Mediterranean countries, both for the holders and, more particularly, for the members of their families.

117 Economic size of farms in the Member States 1987



Such alternative employment is often the half-way house to leaving farming altogether. Without these alternatives, leaving agriculture becomes more difficult, since it probably involves a move away from the area. The absence of alternative opportunities contributes to concealed unemployment and also disguises the need for the non-farm development of such areas.

The existence of such opportunities also explains the widespread recourse to additional activity in the Northern countries even though the holdings are larger and the amount of free time available for other jobs is less.

Part-time farming supplemented by an additional activity is most

developed in areas where the regional economy is stronger and more diversified, and where alternative employment opportunities are most easily available. Germany is the best example.

Underemployment

The existence of farmers who neither work full time on their own farm nor have any supplementary activity demonstrates the existence of concealed unemployment.

In Greece, Spain and Italy, many holders who do not work full time on their own holding do not have any other gainful activity either. In other words, there are a considerable number of farmers with very small holdings, working much less than full time on these holdings, and who have no other source of activity and income. Around one-third of farmers in the Community fall into this category, and almost all are found in the Mediterranean countries.

Rural Development

The fact that agriculture is a declining source of income and employment in many rural areas of the Community, or is an inadequate source of income for many families or individuals, raises many problems. The enlargement of the Community to include three Member States where agriculture plays an important economic role, followed by the prospects of substantial restructuring in the sector, raises wider issues concerning the place of the agricultural sector in rural economies and societies and the prospects for diversification of employment away from the land.

The rapid expansion of urban and industrial areas in the original six

Member States during the 1960s and 1970s served to absorb much of the flow of people from rural areas in the face of declining agricultural employment.

In the 1970s, with the onset of recession in industrial areas of the Community, the process of urbanisation slowed. Indeed, in some countries, the diversification of jobs and activity to rural areas became an explicit objective of policy. In this period, for example, more than 60% of the new jobs created in Italy were in rural areas; industrial employment was encouraged to go to rural areas in France; and in Germany, the creation of off-farm job opportunities stimulated the growth of part-time farming.

In the 1980s, the accession of Greece, Spain and Portugal to the Community brought concerns about agriculture back into focus. In 1980, the share of agriculture in total employment in the Community of nine had been 7% and, apart from Ireland and Italy, no other Member State had a share of agricultural employment which exceeded 10%. In comparison, agricultural employment accounted for 20% of total employment in Spain, 29% in Portugal and over 30% in Greece. By 1989, in most regions of these three countries the share of agriculture in employment was still over 15% (Map 83).

Problems of Rural Economies

Rural areas can be divided into three types.

The first category covers areas near large urban centres, where the drive to develop more intensive forms of agriculture is strongest, and where the diversification of the

rural economy has been most marked.

These areas include rural areas close to built-up areas and main roads such as South-East England and the Paris–Bonn–Brussels triangle, the lowlands situated close to towns and cities such as East Anglia and the Po Valley, and many regions in the Netherlands, Flanders and Northern Germany. Coastal regions in Southern Spain, the South of France, Italy and Greece, and in the Algarve, Azores, Balearic Islands and Southern England also fall into this category.

The second type of rural area are those in general decline. Here there is a persistent drift away from agriculture, either out of the region or into an urban centre within it. Agriculture is still relatively important, yet the holdings are small, numerous and unable to provide sufficient income and employment for their holders. Supplementary activities are hard to come by and concealed unemployment is widespread. These areas are found in outlying regions in the West of the Community such as North-West Spain, the West of Ireland, Northern Ireland, the West of Scotland, and in Southern outlying areas of the Community: Greece, Portugal, Central and Southern Spain, and Southern Italy.

The third category concerns the really marginal areas, often isolated and difficult to reach. They display similar, but more marked, symptoms to the second type of problem: rural decline is worse and the development potential more limited. Areas include mountain districts in the Alps and Pyrenees, the Massif Central, Southern mountain areas of Greece, Italy, Spain and Portugal, the Highlands of Scotland and islands, particularly in the Aegean.

Rural Development Strategies

Different types of problem call for different strategies and actions generally need to be tailored to local circumstances. No single set of solutions to the problems of rural diversification of rural societies is being planned, but the Commission has proposed certain guidelines.

The essence of the strategy for dealing with the first problem — the pressures of modern development — is to ensure that the countryside can fulfil a multiple role. It needs to provide a source of agricultural income and employment, but also to develop as an area of recreation and leisure for city-dwellers. The strategy is therefore not one of promoting further growth in agricultural production but of protecting the rural environment in the face of competing interests for the use of the resources.

The problem in the regions of rural decline is that they lag behind in all aspects. Not only is diversification in the rural economy less advanced than elsewhere, and the pace of change in agriculture slow, but the development of the non-agricultural economy is almost non-existent. The strategy here is both to promote the restructuring of agriculture itself and to use all the techniques of local employment development (see *Employment in Europe 1989*) to create lasting employment outside farming which is responsive to the needs and aspirations of the local people.

The strategy for the very marginal areas involves a very long-term view. While the rural populations must be maintained, and existing non-farm activities and enterprises nurtured, special intervention programmes at

national and Community level will be required to build up and protect the new activities.

Diversifying Rural Economies

Attracting alternative employment to rural areas has not proved easy and, where it has been achieved, it has often been done at relatively high cost — ecological as much as budgetary. Where rapid progress has been achieved in attracting larger industrial enterprises, by incentives and promises of plentiful cheap labour, this has often meant only subsidiary plants of companies with the headquarters remaining elsewhere.

Attempts to achieve rapid industrialisation in this way have been undertaken particularly in Ireland and Southern Italy. The Irish experience has been, on the whole, the more satisfactory and has created some alternative employment, but in most cases the enterprises that have been introduced in this way have developed independently, with few links to existing local firms, and contributing little to the general transformation of the local economy (see Chapter 4).

More satisfactory, and lasting, approaches to diversification have been those designed to encourage local development on the basis of an exploitation of existing local resources — scenic attractions, human skills, environmental advantages etc. — in order to gradually expand alternative employment possibilities in this way. Such approaches, while they often involve the development of service activities related to traditional options, such as tourism, have also encompassed more high-tech activities (see Box).

While aspirations and expectations in many rural areas are low — a reduction in the rate of population decline being considered a success — there are, nevertheless, examples which demonstrate how, with an appropriate combination of local physical and human resources, sound advice, and strategic thinking, prosperous, diversified rural economies can develop without their being either over-dependent on agricultural support or becoming simply satellites of urban or industrial areas (see Box).

In many rural areas, particularly in the Southern areas of the Community, industrial development has also often been concentrated in labour-intensive, low-skill sectors such as textiles and clothing, which have subsequently had to restructure in the face of international competition.

Conclusion

Although it now represents only a small share of employment and output in the Community as a whole, agriculture remains an important part of the Community economy and ecology. It is also in agriculture and in rural economies that some of the most marked differences between the levels of development in the Community's regions occur. While the completion of the Internal Market presents both a challenge and opportunities for all of the Community, the problems of preserving rural employment and of the survival of rural societies are particularly difficult.

Rural Development in Practice

Despite some apparent economic weaknesses, rural areas often have hidden resources and opportunities for development. A strategic audit may often be the first step to identifying new markets e.g. rural tourism, 'green' products, aquaculture, opportunities using new technologies.

New areas of employment creation have been identified and developed in recent years. These naturally include activities built around tourism, but they also include activities which exploit the possibilities offered by new technology industries; those which exploit both the potential, and the needs, of the local environment; and those concerned with stimulating local entrepreneurial spirits and strengthening infrastructure.

Tourism

Rural tourism can help diversify the local economy and promote job opportunities which enhance its stability and viability, providing it is developed in a way that does not destabilise other aspects of rural areas. A first step is to identify potentially attractive areas which need to be protected, or developed, and to assess the appropriate actions or investments which are needed.

Tourist services in rural areas may be improved by, for example, persuading owners of accommodation to modernise and extend their premises, by providing advisory/training courses for managers in rural tourism, and by making provision for self-catering holidays. Such activities may be extended by the wider promotion of the locality or region. An example is the promotion of farmhouse holidays by the Irish Tourist Board. Targeting the local market of potential customers is also important, an example being the Women's Agrotourism Cooperative at Petra, Mytilini Island, Lesbos (Greece).

Strategies to promote rural tourism need to concentrate on more than just accommodation. They also need to be concerned with transport infrastructure. The existence of a rail and road network is a precondition, although the seasonal nature of rural tourism often discourages public bodies from undertaking major investments in this field.

The promotion of an area may be helped by action involving the creation of itineraries enveloping a wider area, which are jointly managed. In addition, local competitions (such as the Floral Villages in France, Tidy Towns in Ireland) can promote a greater sense of local pride and encourage renewed

interest in rural heritage. As rural tourism is essentially a community product, coordination is a vital ingredient to a successful strategy in this field.

Tourism can help other activities. For example, the promotional work of the Syndicat d'Aménagement des Baronnies (France), has led to the commercialisation of local products. The SAB has attracted tourists to the area through the sale of fresh herbs (lavender, thyme, tarragon), goat's cheese, etc. in local farms. A tourism cooperative in Kilfinane, County Limerick (Ireland) is another example of how the area's resources (traditional Irish music, rivers, local cheese-making farms etc.) have been combined with new developments (Rent-an-Irish-Cottage Scheme, restaurants, caravan/camping parks etc.) to promote the area.

New Technology

While new technology can free firms from the necessity of locating in towns, 'high-tech' activities rarely occur spontaneously in rural areas. It can be worthwhile developing these activities however, because of the high value-added of the products or services, the high quality of employment, the strong export orientation and the demonstration effects to potential entrepreneurs and local businesses.

Innovation — which goes beyond just high-tech — can have a broad, or narrow, focus depending on local conditions. Where the technology and innovation base is weak, a narrower approach, focused on specific projects is more appropriate. In the longer term, more broadly-based strategies can be developed which seek to change attitudes towards innovation, increase receptiveness to change, technological know-how etc.

Local innovation may need to encourage partnership between the private and public sectors. A successful example is L'Institut Technologique d'Appui au Co-Développement (ITAC) — a non-profit making enterprise founded by the French government and the Regional Council of the Alpes du Sud region of France — which brings together local people and public sector bodies with the aim of encouraging innovation in local small businesses.

Potential incompatibility between imported technology and local needs can often be overcome by utilising appropriate technology — appropriate in

the sense of being compatible with the local socio-economic fabric and environment. An example of the introduction of appropriate technology to a rural area is that of the Technology Centre, Fejø, Lolland (Denmark).

Although a technology/innovation strategy can be rewarding, it is not always easy to implement. Conditions need to be created in which a private sector response can be stimulated, and psychological/cultural objections to innovation or technology dispelled. The Green Centre in Lolland, and the Limerick Food Centre in Ireland both experienced long gestation periods since the local economies were in crisis, and local people needed to be convinced of the viability of change.

The development of a high-tech enclave may be avoided by encouraging interest in technology in a broader cross-section of local firms, in educational or training institutions, and among households, and not just in the high-tech firms themselves.

The Environment

Concerns to promote sustainable development and greater environmental quality are gaining support all the time. However, there can often be a conflict, at local level, between local businesses which are creating employment but which may be below the threshold of desirable environmental standards. Thus concern for the environment can seemingly put at risk even existing jobs. There are growing examples, however, of positive employment benefits resulting from a more environmentally conscious outlook, including the re-cycling of industrial waste, minimising the usage of artificial fertilisers and pesticides in agriculture etc. The Olive Oil Residue Plant in Sitia (Greece) is an example of the successful recycling of agricultural waste in an environmentally friendly manner.

Enterprise Policy

An innate sense of entrepreneurship may be as present in rural areas as in any others, but it may need to be strengthened and supported. Sympathetic and flexible systems of support for embryonic new businesses are particularly necessary, as emphasised by the Cantal Initiatives

which operate in Auvergne (France). The service of the Cantal Initiatives see the task of motivating, encouraging and enabling entrepreneurs to launch a business as being central to the process of new business development.

Not all new businesses need be privately owned. Local community-based enterprises including credit unions, cooperatives (agricultural, artisan/craft etc.), community-based housing schemes, special programmes targeted at underprivileged groups, and local business ventures with a socio-cultural dimension (e.g. a commercial translation agency could assist in local language preservation or recreational facilities) can all serve as vehicles for integrated development and creating jobs at a local level.

Infrastructure and Support

The retention/upgrading/modernisation of services such as telecommunications links, post offices, banking and other services are essential for the development of businesses in rural areas. Businesses in these areas are frequently hampered by the difficulty of finding local sources of supply, advice, capital and information. Poor transport and communications infrastructure further exacerbate these problems.

Partnerships between rural communities and education and training institutions can assist the process of rural economic development with new ideas, technical support, research and development. Higher education institutes can establish centres in rural areas in order to develop research, local activities and training. Faro Polytechnic in Portugal, for example, has initiated a programme of social action — involving the revitalisation of traditional crafts, vocational training, and the encouragement of new businesses — in order to assist endogenous development in the Algarve as an alternative to mass tourism. On a broader basis, the National Rural Enterprise Centre, in the UK, runs an information system providing regular up-dates on policy developments, initiatives, agencies and statistics as back-up support for its actions to promote employment creation in rural areas.

Chapter 6 Employment in Industry: a Decade of Change

Employment in manufacturing fell in parts of the Community in the 1980s especially in traditional industries. High growth, dynamic industries are very unevenly dispersed across the Community, with a high concentration in the most prosperous areas.

Introduction

Industry, and industrial employment, are at the heart of all modern economies. The competitiveness of the sector is crucial, not only for the strength of the Community economy as a whole, but also for the activity and employment it generates, or finances, in the rest of the economy, notably the services sector.

In this context, a major objective of the Internal Market programme is to stimulate increases in the efficiency of industry in the Community and to create a business environment which strengthens the ability of European companies to compete more effectively with other world producers, notably US and Japanese. By removing remaining barriers to internal trade, the aim is to open up markets which were previously protected, whether by special regulations, discriminatory practices or bureaucratic procedures, and so increase competition right across the Community. Companies will therefore come under greater pressure to cut costs, raise productivity and rationalise production,

with consequent effects on employment.

As the forces of competition work themselves through, there are likely to be repercussions on the structure of industry and its location, and changes in the employment policies pursued by enterprises. Access to a larger, less segmented, Internal Market will help economies of scale to be realised, while the extension of competition will favour the more efficient firms, giving them an opportunity to increase their market share at the expense of marginal producers. All of this will affect the overall level of employment achieved in this sector. At the same time, to the extent that the costs of production will assume a greater weight in the competitive process, so will employment in low cost areas be favoured against employment in high cost areas.

A number of studies have been carried out into the possible effects on different industries of the Internal Market programme. These have sought to identify the sectors which are likely to be especially affected by the measures introduced, and have examined the importance of

these in the different Member States (see *Employment in Europe, 1989*, Chapter 5 and *Employment in Europe, 1990*, Chapter 3, where some of the results of these studies are summarised).

This chapter does not attempt any further analysis of the potential consequences of the 1992 programme of measures on employment. Rather, it seeks to provide the necessary background against which the possible effects of completing the Internal Market in industrial goods can be judged by setting out details of the present location of manufacturing industry across the Community, and identifying how it has changed over the 1980s. The focus is not just on the distribution of industrial production and employment between Member States, but also on how this varies, and has varied, between regions within countries.

The chapter begins by examining the distribution of employment in industry across the Community and how it has changed during the 1980s, identifying the regions which have gained industrial jobs over this period and those which have suffered losses.

Data and sources

The data used in this chapter are taken from industry surveys conducted in each of the Member States. These data are maintained by the Community Statistical Office and in the case of the national data are stored in the CRONOS database.

The surveys cover all industrial undertakings and small businesses employing at least 20 people whose principal activity falls under one of the NACE industrial categories. This means that very small firms with less than 20 people employed are not included in the analysis. This is unlikely to affect the results significantly since such firms account for only a very small proportion of total employment and value-added in most industries in most parts of the Community.

Employment relates to the number of paid employees and so excludes the small number of self-employed people in manufacturing.

Value-added is measured at factor cost, i.e. before taxes and subsidies.

Labour costs include non-wage labour costs. Data for wages and salaries rather than total labour costs are used for the regional analysis since the latter are not readily available.

There is some difference in classification as between the national and regional data insofar as at the national level the classification to NACE categories is according to the principal activity of the enterprise whereas at the regional level each local unit is classified according to its principal activity.

No regional data are yet available for Portugal, Greece or Ireland. Luxembourg is excluded from the analysis because of the small size of its manufacturing sector.

The regional data relate to 1981 and 1988 for Germany, the UK, France, Italy and Denmark and to 1981 and 1987 for Spain. For the Netherlands, regional data for 1987 are used, though since no consistent regional data exist for the earlier year, national data for 1980 and 1987 are used in the maps showing regional changes. For Belgium, national data for 1980 and 1987 are used throughout.

For the UK, the regional changes between 1981 and 1988 are for NUTS level I regions whereas in most other cases the figures are for NUTS level II regions.

Secondly, it looks at the relative importance of different kinds of manufacturing in the various parts of the Community to see where the dynamic, high-tech industries are located and where, by contrast, the slower-growing, most labour-intensive, sectors are situated.

Thirdly, it considers comparative levels of value-added per worker and compares the productivity performance in the different industries across the Community. This seeks to identify, on the one hand, how far there is a common pattern of performance in different industries in each of the countries and, on the other, how far countries which have high levels of productivity in one sector (or have achieved the largest gains) have similarly good performance in others.

Fourthly, it examines differences in wage levels and rates of pay increase between industries, Member States and regions, not only in order to ascertain the scale of differences in labour costs as between different places, but also to see how these relate to variations in productivity. This can give some indication of the strength of the incentive for companies to relocate production from one part of the Community to another, for reasons of cost, as competition intensifies.

Manufacturing Employment across the Community

The importance of manufacturing industry employment varies significantly between Member States, and between different regions within them. (Manufacturing in this chapter is defined as conventionally understood; it excludes oil refining which is sometimes included and it

excludes construction and energy and water supply sectors which are conventionally included in industry. It therefore consists of NACE categories 2200 to 4900, excluding category 2300 which covers mineral extraction. See Box for definitions of the data used).

Manufacturing jobs are particularly important in Southern Germany, Northern Italy, the West Midlands in England and parts of Northern Spain and Portugal. In these areas, industry accounts for over 40% of all employment (see Chapter 4, Map 84). On the other hand, jobs in industry are fewer in number over much of Southern Europe where they generally account for less than 25% of total employment.

Job gains and losses in manufacturing in the 1980s

Over the 1980s, or more especially between 1980 and 1987, employment in manufacturing fell significantly in the Community. Excluding Greece, for which there are no data, the overall decline in manufacturing jobs amounted to some 16.5%, or 4.4 million in total numbers. With the exception of Denmark, which enjoyed an increase of 4%, all countries experienced a fall over this period, ranging from 7% in Germany and 9% in Portugal to 23% in Spain and a massive 27% in the UK. Manufacturing employment has increased markedly in Spain since 1987, enough to get back to the 1980 level of employment.

At a regional level within Member States, however, changes in employment in manufacturing were very uneven over this period. Areas which experienced a net gain in jobs included a number of the strong industrial regions of Southern

Germany and Northern Italy, where manufacturing employment was already high. However, they also included much of Denmark and parts of Southern Italy, where manufacturing employment was relatively low (accounting for less than 30% of the total).

Regions which experienced the largest reduction in jobs in manufacturing during these years included much of France, Scotland, North-West England and the North-West and West of Spain as well as part of Southern Italy. Many of these regions are now classified as 'regions in industrial decline' and are in receipt of aid from the Structural Funds.

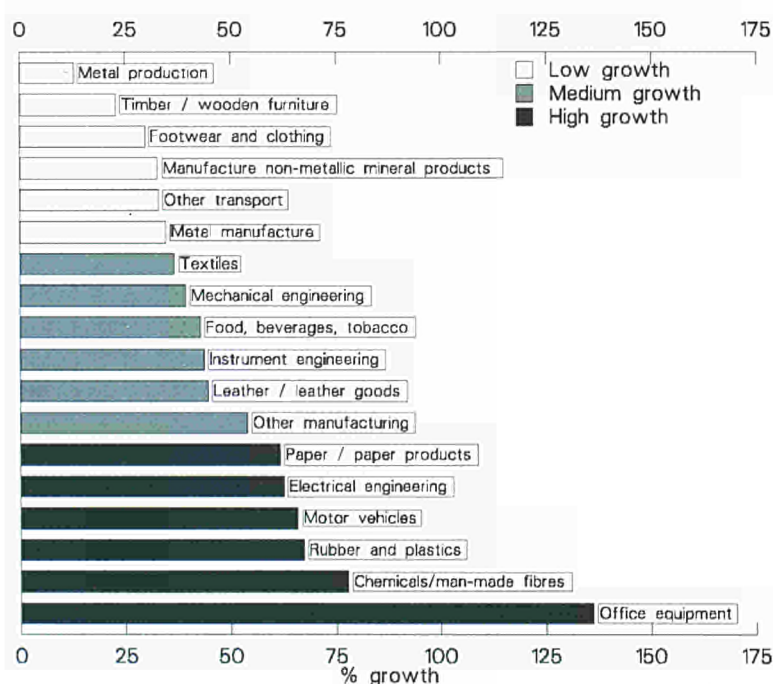
The major questions addressed below concern the kinds of manufacturing activity which are located in different parts of the

Community and the extent to which these different sub-sectors and regions have gained or lost jobs.

Industries within manufacturing

An analysis of the different kinds of manufacturing activity in the Community is limited by two factors. The first is the difficulty of establishing consistent data at a detailed industry level for all Member States, and for regions within those States. The most comprehensive set of consistent data are those used here which cover 18 NACE level 2 industries (they are listed in Graph 118). Reasonably complete figures are available at the national level for 1980 and 1987 and at the regional level for 1981 and 1987 or 1988 (see Box). Even then, some estimation is necessary to fill missing values. (In

118 Growth of value-added in sectors of manufacturing in eight Member States (B, DK, D, E, F, I, NL, UK) 1980-87



particular, for one or two countries, one or two NACE categories are aggregated in the official data and they have been sub-divided, largely on the basis of the relative split elsewhere.)

The second problem is to make the presentation manageable and illuminating, given that the figures relate to 18 sectors and 152 regions (excluding the Eastern part of Germany). In order to simplify, the 18 industries have been put into three groups according to their growth in value-added (in ECU at current prices) between 1980 to 1987. (Because of data problems, value-added growth is calculated only for 8 Member States, though these accounted for well over 90% of total Community value-added in manufacturing in 1987. The inclusion of the other four countries, Ireland, Greece, Portugal and Luxembourg, would therefore be unlikely to make much difference to the results.)

Growth of value-added in industry in the Community

Industries with the highest growth, i.e. those showing an increase in value-added of more than 60% between 1980 and 1987, include products such as Office equipment, Chemicals, Motor vehicles and Electrical equipment and appliances (Graph 118). These not only enjoy a buoyant market and have a continuing prospect of high growth in demand, but they also tend to involve the most advanced and the most capital-intensive processes of production.

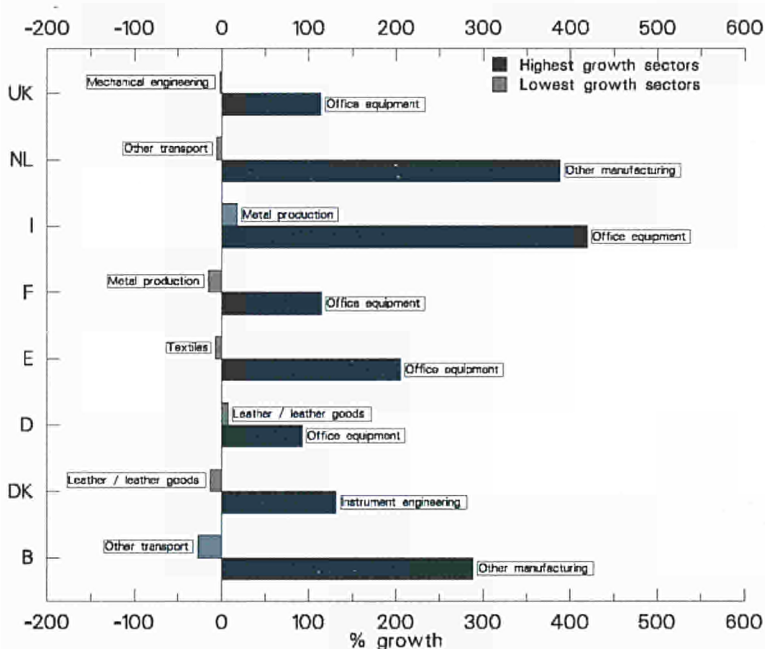
By contrast, the industries showing the lowest growth over this period, with an increase in value-added of less than 30% in current price terms, are either heavy industries in decline, such as Steel and Ship-

building, or highly labour-intensive industries producing relatively unsophisticated products, such as Clothing, Footwear and Wooden furniture.

The industries which experienced intermediate rates of growth in value-added — increases over the period of 30–55% — are more diverse, including relatively basic, labour-intensive activities like the production of Leather goods, capital-intensive activities such as Instrument engineering and more staple products like Food and drink, the market for which is likely to go on growing steadily, though not spectacularly.

Although not all Member States showed the same pattern of growth in the different industries between 1980 and 1987, there are nevertheless many similarities. In most countries, value-added in the Office equipment sector increased by most — in Germany, France, the UK, Italy and Spain — while the lowest growth sectors tended to be among those showing the smallest increase at the Community level (Graph 119).

119 Highest and lowest value-added growth sectors in manufacturing in eight Member States 1980–87



Change in Employment in Manufacturing in the Community

Changes in employment between 1980 and 1987 reflected changes in value-added, in the sense that the industries in which output grew most were also the industries in which employment declined least. Indeed, the only industry to show an increase in job numbers over this period was Office equipment where the rise was around 17% (Graph 120). In the other high-growth industries, the fall in employment

ranged from 6% for Rubber and plastics to 17% for Motor vehicles, reflecting the significant gains in productivity made in car production during these years.

The decline in employment in medium-growth industries was similar to that in low-growth ones, with textiles showing a reduction of 24%, larger than four of the industries included in the latter group. The biggest decline in employment, however, occurred in Metal production (steel), where the rise in value-added was the smallest of all and where the total number of jobs fell by 38% between 1980 and 1987.

The pattern of change was reasonably similar from country to country over this period, with employment in the Office equipment industry increasing in seven of the ten Member States for which figures for both 1980 and 1987 exist. Apart from this industry, however, few industries in any of the countries showed any expansion of employment during these years. Only in Denmark, Germany and the Netherlands did employment increase in more than four industries. In two countries, France and Belgium, only one industry (Office equipment) showed any employment growth and in two countries, the UK and Spain, employment declined in all sectors.

The pattern of Manufacturing Activity by Member State

There are, however, marked differences between Member States in terms of the relative importance of different industries within the manufacturing sector. In the Com-

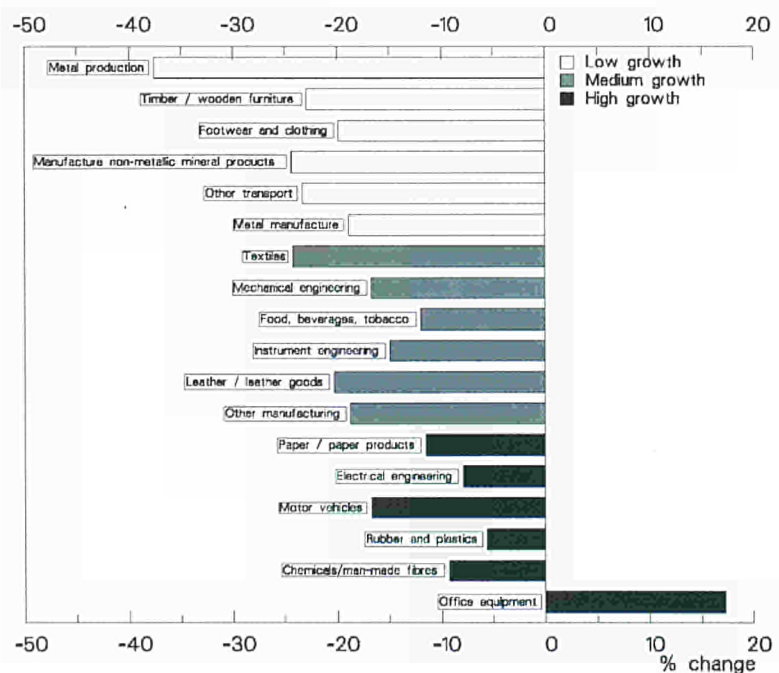
munity as a whole, the industries included in the high-growth group accounted for just under half of total value-added produced by the manufacturing sector in 1987 and 40% of employment. In the Netherlands and Germany, however, these industries were responsible for more than a half of value-added and slightly less of employment, while in Greece they accounted for only 25% of value-added and 20% of jobs and in Spain for 40% of value-added and 30% of employment (Graphs 121 and 122).

The industries included in the low growth group were responsible for around 25% of manufacturing value-added in 1987 in the Community as a whole. In Greece and Spain, however, the figure was over 30% while for Ireland and the Netherlands it was less than 20%. In all countries the low-growth industries employed a significantly higher proportion of

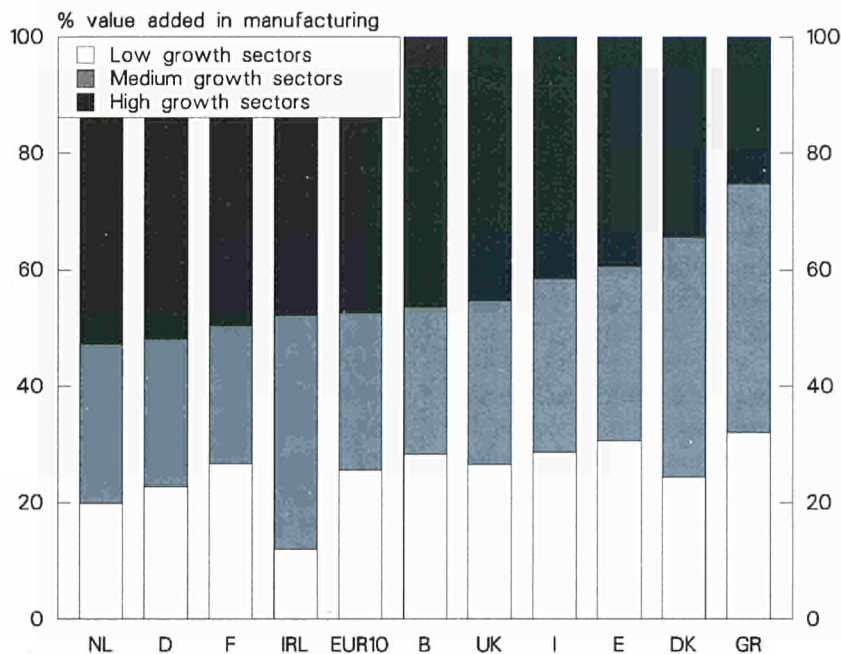
the manufacturing workforce than the share of value-added they generated. In Spain, Portugal and Greece, these industries were responsible for nearly 40% of employment in manufacturing in 1987, while in Ireland and the Netherlands, the figure was below 25%.

In general terms, therefore, the high-growth, more advanced industries tend to be more important in the North of the Community than in the South while, for the low-growth, labour-intensive industries, the reverse is the case. There are, however, two exceptions to this generalisation. Denmark has a much lower proportion of its manufacturing activity in high-growth industries than the Community average although, since it also has a smaller proportion in low-growth sectors, this compensates to some extent. Conversely, in Ireland, high-growth industries are signifi-

120 Changes in employment in sectors of manufacturing in the Community 1980-87



121 Share of manufacturing value-added in sectors of manufacturing in ten Member States 1987

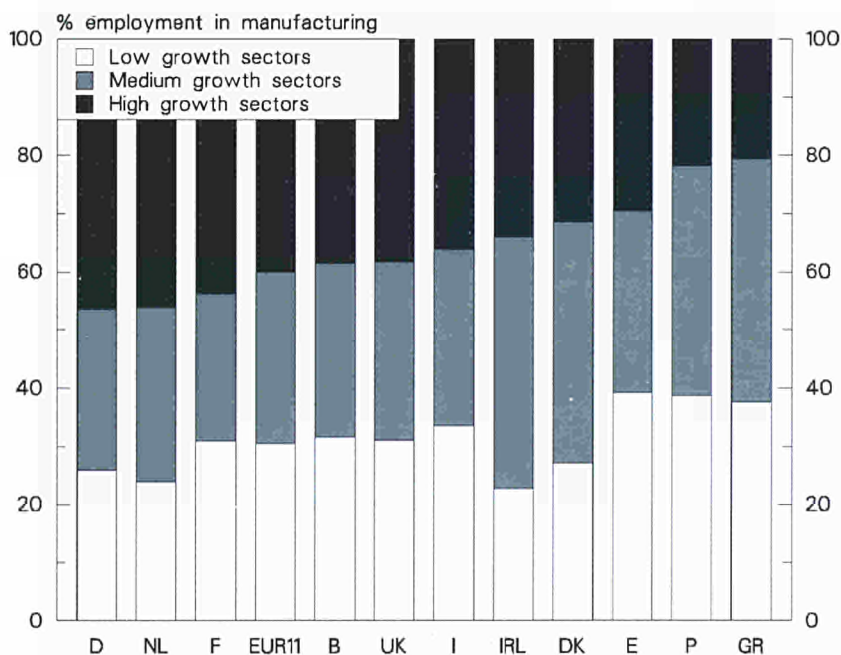


cantly more important than in other less developed Member States and, even more significantly, low-growth activities are markedly less important, especially in terms of value-added. This reflects the weight of multi-national high-tech production in the Irish economy, and the relative absence of traditional manufacturing.

Regional Distribution of Manufacturing Activity

Within Member States, the relative importance of the different types of industry, in terms of the manufacturing employment they provide, varies markedly from region to region. In 1988, high-growth industries accounted for more than 45% of the jobs in manufacturing in quite a number of regions in Germany (although more in the South and Centre than in the North), in Northern and Eastern France, South-East England and in a few areas of Central and Southern Italy (Map 123).

122 Share of manufacturing employment in sectors of manufacturing in eleven Member States 1987

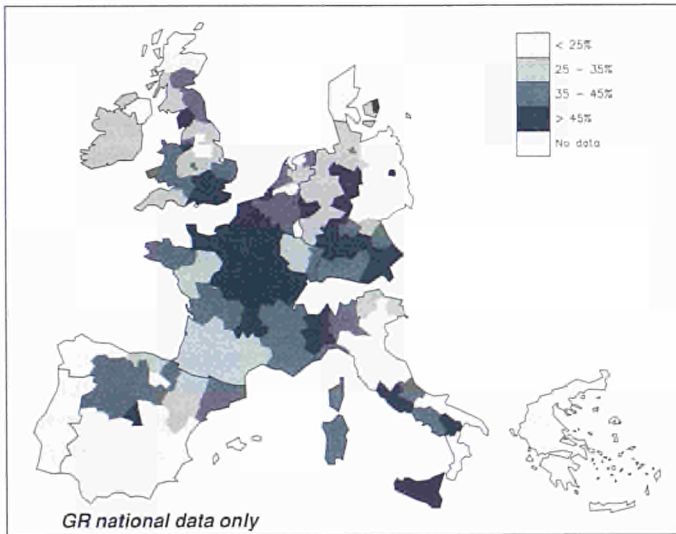


In most regions in the South of the Community, however, high-growth industries account for less than 25% of manufacturing employment. The only exceptions (apart from the areas on the Southern Italian mainland) are Sicily, Sardinia, Corsica and Northern and Eastern parts of Spain as well as the Madrid region. The proportion of manufacturing jobs in the dynamic industries is, however, equally low in many areas in the North of the Community — in Denmark, in parts of the Netherlands and in several areas of the UK, including Northern Ireland.

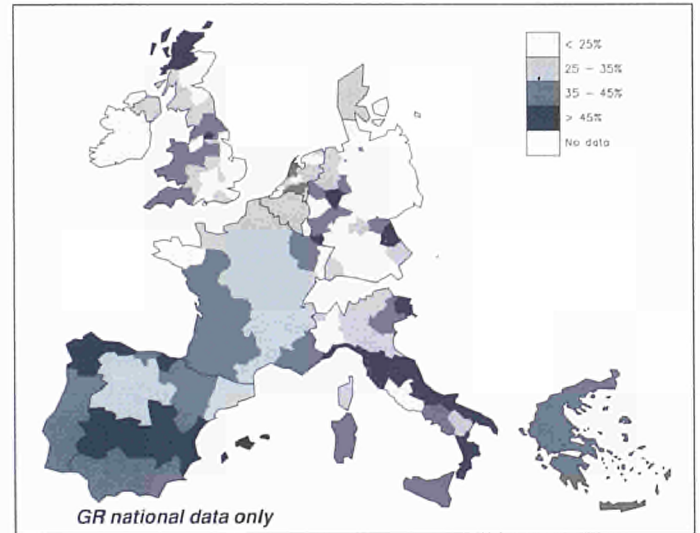
The share of manufacturing employment in labour-intensive,

Share of Employment in Manufacturing 1987/88

123 High-growth sectors

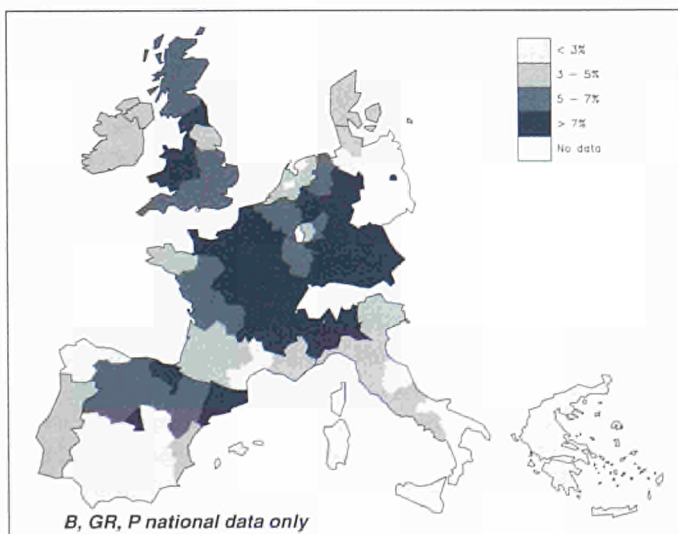


124 Low-growth sectors

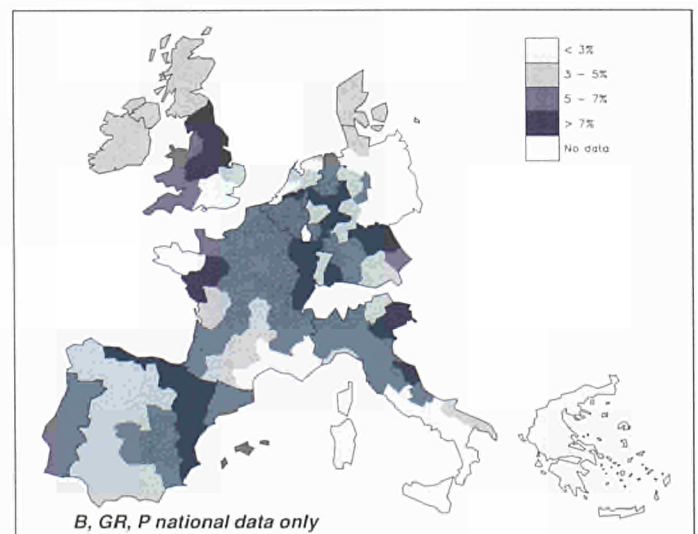


Share of Sectors of Manufacturing in Total Employment 1987

125 High-growth sectors



126 Low-growth sectors



low-growth industries, on the other hand, is relatively high over much of Southern Europe. In many regions of Spain and the South of Italy, it exceeded 45% in 1987 (Map 124). However, it is equally high in parts of Germany, the UK and Northern Italy, where the Clothing industry is relatively advanced and provides substantial numbers of jobs.

By contrast, in most regions of Germany as well as in South-East England, Brittany, parts of the Netherlands, one or two areas of Italy and Ireland, the proportion of manufacturing jobs in low-growth industries is under 25%.

Manufacturing employment in medium-growth sectors was relatively high in Ireland, throughout most of Denmark and over much of Southern Spain, where it accounted for over 40% of the total in 1988. By contrast, employment in these industries was relatively low over much of Italy, the South in particular, and France, where in many regions the proportion of manufacturing jobs was under 30%.

The share of manufacturing employment in high- or low-growth sectors, however, gives no indication of the importance of these sectors for employment as a whole. In other words, a region may have a high proportion of manufacturing jobs in high-growth industries but have very few manufacturing jobs in total. Relating employment in high- and low-growth sectors to total employment in a region gives a somewhat different picture.

Over most of Southern Europe, even in regions where much of manufacturing employment is in high-growth sectors, these account for a very small proportion of total employment. In Southern Spain,

much of Southern Italy and Greece, as well as areas in the South of France, high-growth industries were responsible for less than 3% of total jobs in 1988 (Map 125). This, however, was also the case in parts of the Netherlands and Northern Germany.

On the other hand, high-growth industries account for over 7% of total employment in parts of Northern Spain and the Madrid region, as well as North-West Italy, much of Eastern and Northern France, Wales and Northern England and, most especially, in much of Germany, where in some Southern regions the share exceeds 15%.

The share of total employment in low-growth sectors is also relatively high in a number of German regions — over 7% in 1988 — even though these account for a minor proportion of manufacturing jobs, simply because manufacturing is such a large employer of labour there (Map 126). This is also the case in parts of Eastern France and Northern Italy. In some areas of both, however, this reflects the relative importance of low-growth sectors in manufacturing, as is also the case in a number of Spanish regions and in some areas of the UK.

On the other hand, over much of Southern Italy and in Greece, low-growth industries account for only a very small proportion of total employment — under 3% in 1988 — despite their relative importance in manufacturing.

The proportion of manufacturing jobs in the dynamic industries was, however, equally low in many areas of the North of the Community — in Denmark, in many areas of Belgium, and in the UK, including the North of Scotland and Northern Ireland.

Output per Worker in Manufacturing

The fact that high-growth industries tend to be more important in terms of value-added than in terms of employment clearly reflects their less labour-intensive methods of production, compared with other industries, and consequently their higher level of output per person employed. Indeed, over the Community as a whole, the level of output per person employed in the high-growth industries was over 20% higher than in the medium-growth industries, and around 50% higher than in those with the lowest growth (Graph 127).

These differences are common to all Member States and, with a few notable exceptions, the scale of the difference between industries is similar. The main exceptions are Ireland, where output per person employed in high-growth sectors was nearly three times greater than in low-growth sectors, and Spain where it was around twice as high. In the other countries, the difference was around 30–40%.

In the case of Ireland, the much higher level of output per person in the high-growth sectors reflects the concentration of production in highly capital-intensive activities such as the production of pharmaceuticals and electronic goods. This is also true of the medium-growth sectors where activities such as brewing make up a high proportion of output. In the traditional, labour-intensive low-growth industries, on the other hand, output per person in Ireland is well below the Community average.

In general, the ranking of countries in terms of output per person is broadly the same for each group of

industries, in the sense that those with relatively high levels of output per person in the high-growth industries also tend to have relatively high levels in the medium- and low-growth industries.

Levels of output per person, as would be expected, tend to be higher in all industries in the North than in the South of the Community — including Italy in the former category for this purpose, given that most of its manufacturing production is concentrated in the North of the country. The differences, however, between Spain, which has the highest levels of the Southern countries, and the UK, which has the lowest levels of the Northern countries, are not large. Indeed output per person in the high-growth industries is higher in Spain than in the UK.

Share of Manufacturing Employment of each Member State

A consequence of the fact that the importance of manufacturing varies significantly between Member States is that Member States differ in the share of total Community output and employment in manufacturing for which they are responsible.

Overall, Germany accounted for just over one third of total value-added in manufacturing in the Community in 1987, and for slightly less of employment. France, Italy and the UK each accounted for around 15% of both value-added and employment, with the UK's share of manufacturing employment being somewhat greater than its share of value-added because of its relatively low level of productiv-

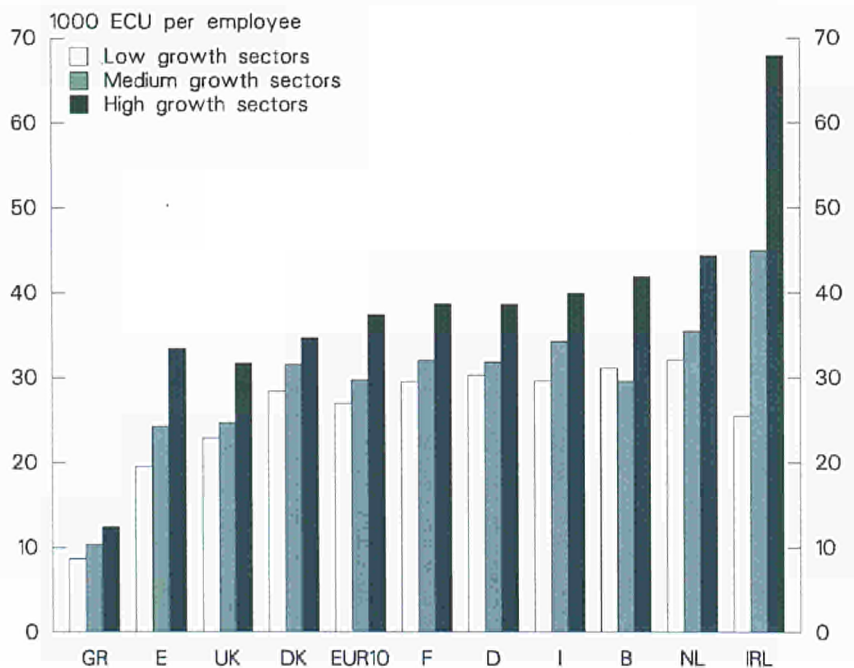
ity. Spain accounted for just under 10% of both value-added and employment. The other 15% or so of value-added and employment was distributed among the other 7 countries, with the Netherlands and Belgium having similar shares of around 3%. Portugal has no available data on value-added but also accounts for about 3% of employment.

For a number of countries, however, there are major differences in their shares of different industries. This is especially so for Germany, whose share of both value-added and employment in high-growth industries, at over 35% of the Community totals, was markedly greater than its share of medium-growth and low-growth sectors — around 30% of value-added and 28% and 26% respectively of employment — in 1987 (Graph 128 and 129).

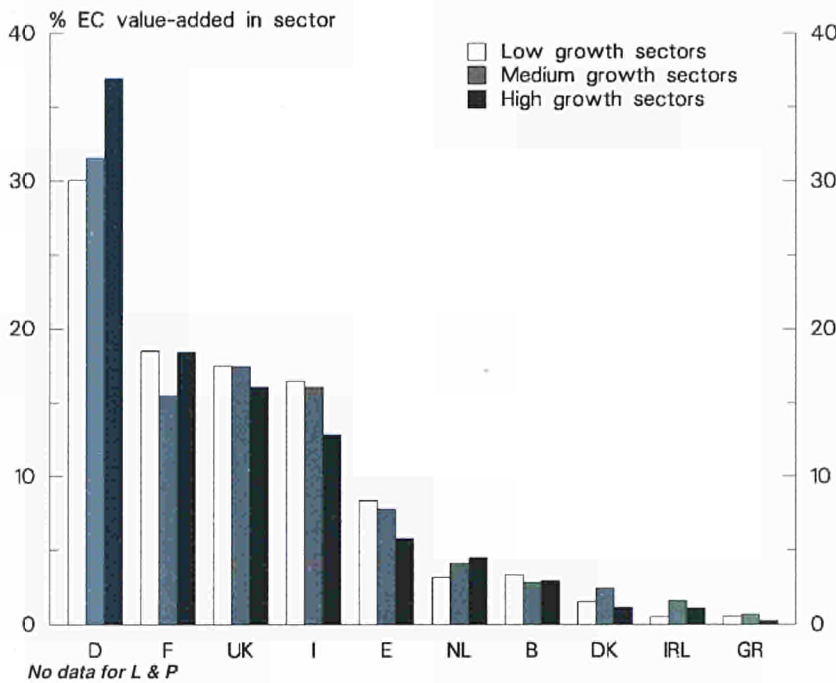
Most other Northern, or more developed, countries were also responsible for a larger share of the high-growth industries than the other sectors, particularly for value-added. This included Ireland which, in most aspects other than in manufacturing, is a less developed country. The two exceptions are the UK and Italy — which is geographically a Southern European country even though most of the North of the country is more similar in economic terms to Northern countries. Both of these had a higher share of low- and medium-growth industries than of high-growth sectors.

For all of the Southern, less developed, countries of the Community, their share of low- and medium-growth industries was significantly greater than their share of high-growth sectors, which in the case of Spain

127 Productivity (value-added per employee) in sectors of manufacturing in ten Member States 1987



128 Share of Community value-added in sectors of manufacturing in the Member States 1987

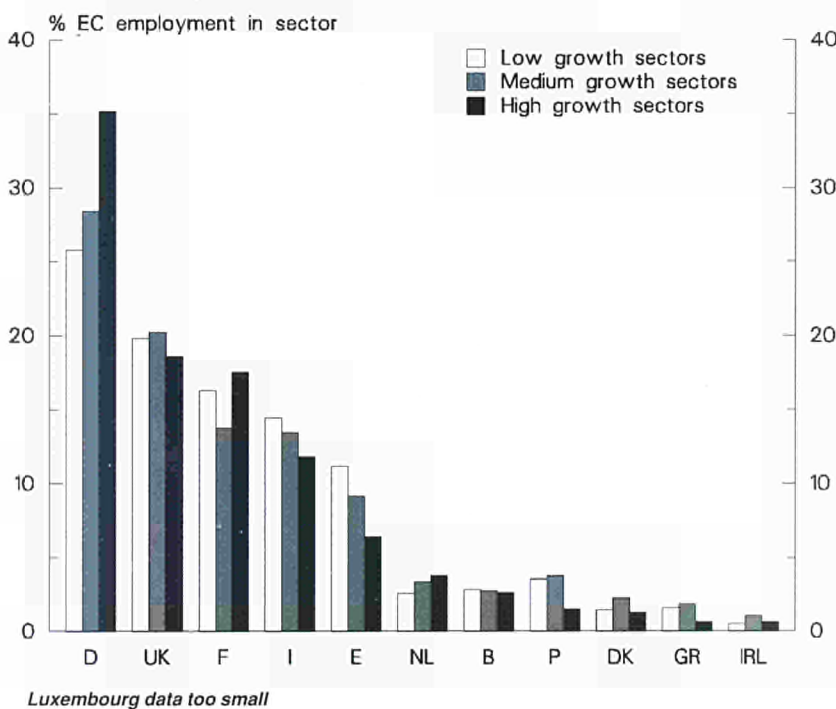


was only around 6% and for Portugal and Greece, barely 1%.

Changes in Value-Added and Employment by Member State

Manufacturing value-added increased in current price terms in all Member States between 1980 and 1987, as might be expected given that inflation in the Community averaged around 65% over this period (taking the GDP deflator). In a number of countries, however, especially in the low-growth sectors, the increase in value-added was considerably less than the rate of price increase, implying a significant fall in real output. Only for a few industries in the majority of countries was the rise in value-added markedly greater than the increase in overall prices.

129 Share of Community employment in sectors of manufacturing in the Member States 1987



All countries, with the exception of Denmark, experienced a reduction in employment in manufacturing over this period, as noted above. Even in the case of the high-growth industries, only Denmark, Germany and the Netherlands showed any rise in employment (Graph 130). Indeed in all other countries employment declined by around 10% or more. In Spain and France, the decline was over 20%, while in the UK it was 27%.

In all countries, except for Portugal and Italy — where relatively few jobs were lost in traditional, medium-growth industries — the decline in employment between 1980 and 1987 was greater in low-growth and medium-growth industries than in high-growth sectors. In six of the countries, the

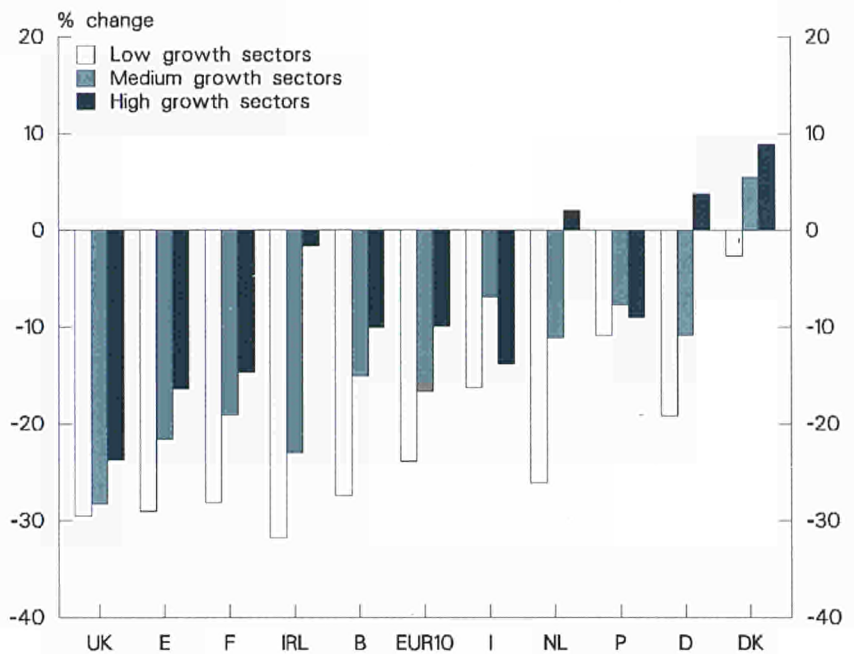
fall in low-growth industries was around 25% or more, and in four close to 30%.

Changes in Output per Person by Member State

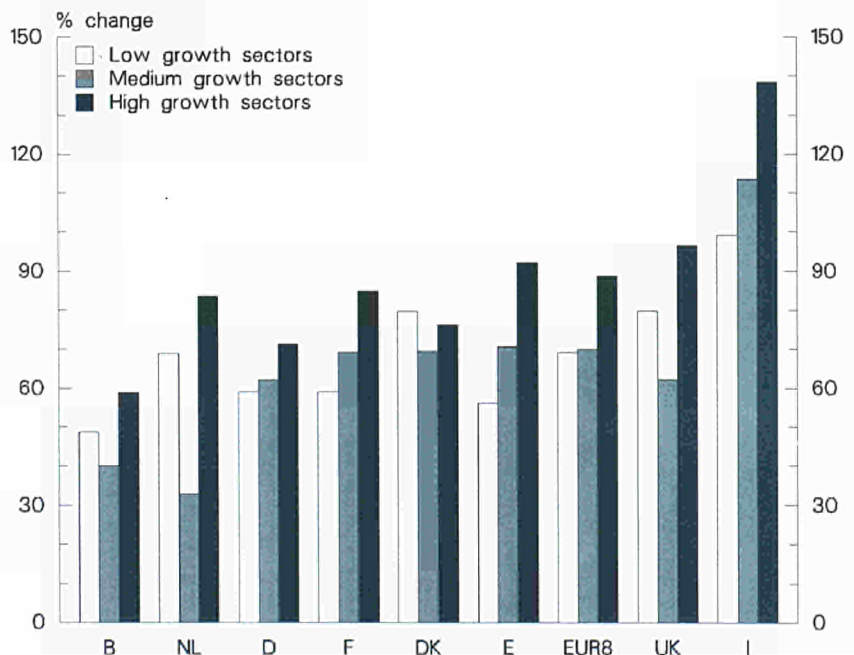
So far as growth in value-added per employee is concerned, there is some, though by no means universal, tendency for those countries which showed a comparatively large gain in one group of industries between 1980 and 1987 to have experienced similarly large increases in other sectors. In particular, Italy — which showed by far the biggest increase in value-added per employee in manufacturing as a whole — showed the largest rise in high-, medium- and low-growth sectors (Graph 131). (The reason for this seemingly impressive performance lies partly in the fact that whereas Italian price — and cost — inflation was significantly above the Community average over this period, the exchange value of the Italian lira was not reduced by nearly enough to compensate as the authorities made a deliberate attempt to squeeze inflation out of the system. The effect was to push up Italian prices measured in ECU terms relative to those of other countries.)

The same is also broadly true of the UK, Denmark and France, although Spain showed relatively large gains in value-added per person in high-growth sectors as compared with its performance in other industries. The Netherlands showed substantially smaller increases in medium-growth sectors than elsewhere and Germany, by contrast, showed much larger comparative rises in productivity in medium- and low-growth industries.

130 Changes in employment in sectors of manufacturing in ten Member States 1980–87



131 Changes in value-added per employee in sectors of manufacturing in eight Member States 1980–87



For the Community as a whole, value-added per person went up by similar amounts in low-growth and medium-growth industries between 1980 and 1987 (by 70% in current price terms — which implies only a small rise in real terms). This is broadly true for each country, with the Netherlands being the main exception. Value-added per employee also went up by significantly less in these sectors than in high-growth industries — by over 10% less. Again this is true for most countries, the only exception being Denmark, where productivity growth measured in these terms was much higher in low-growth sectors than the Community average. Indeed, for low-growth industries, only Denmark, the UK and Italy showed any real apparent gain in productivity in this group of industries when measured in constant price ECU.

Changes in Manufacturing Employment by Region

Increases in employment in manufacturing in the 1980s were largely confined to high-growth sectors. Almost all parts of Germany, where high-growth industries were important providers of jobs, showed an expansion in employment in high-growth sectors between 1980/81 and 1988 (Map 132). This was also true of Wales in the UK. However, in most other regions where an increase in employment occurred in these sectors over this period, high-growth industries — and indeed manufacturing in general — accounted for a relatively small proportion of jobs. This was particularly the case in Southern

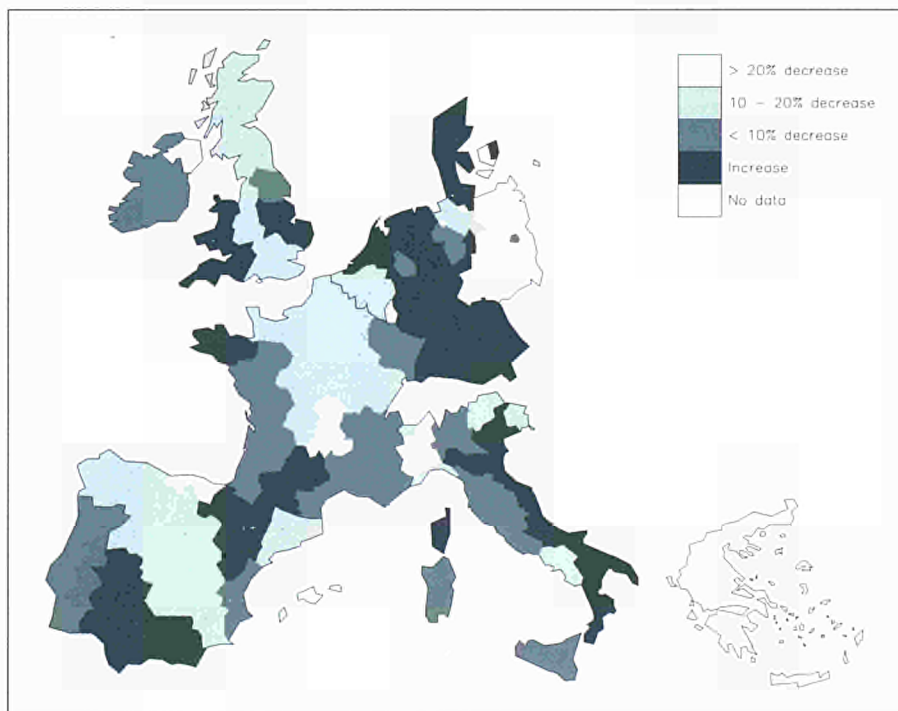
Spain, the South of Italy, parts of the South of France, Brittany and Denmark.

There is some evidence, therefore, that many of the regions where high-growth industries expanded in the 1980s were not traditional industrial areas, and that many were located on the periphery of the Community. Conversely, it would also appear that the old established industrial regions generally showed a significant decline in employment in high-growth sectors over this period. This was true of Northern France, the West Midlands and the North-West in the UK, many parts of Belgium and parts of Northern Germany as well as Catalonia in Spain, all of which experienced falls in employment in these industries of more than 10% between 1980/81 and 1988.

In the case of the low-growth industries, where jobs decreased in all Member States apart from Denmark, a great many regions experienced a decline in employment in these low-growth sectors of more than 20% between 1980/81 and 1988. This was true over almost all of France, much of Spain, a number of areas in Germany and Scotland, as well as the Netherlands, Belgium and Ireland, for which no consistent regional data are available (Map 133). On the other hand, a number of areas in Southern and Central Italy, Northern Ireland and the North and East Midlands of England as well as Denmark, experienced an increase in employment in low-growth industries. Only in Southern and Central parts of Italy did these sectors account for more than 7% of total employment at the beginning of the period.

Low-growth sectors, like high-growth sectors, therefore, did not

132 Changes in employment in high-growth sectors of manufacturing 1980/81–1987/88



necessarily expand in areas where they were already important. While old industrial regions for the most part suffered a decline in manufacturing employment in both the most and least dynamic sectors, a number of regions where industry had not been of major importance in the past saw employment in manufacturing increase over this period.

Wages and Labour Costs in Manufacturing

Labour costs are made up of two elements: the wages or salaries paid to employees and the additional employment costs which employers bear. The latter, in turn, comprise two elements: the statutory costs imposed by Government, in the form mainly of social insurance and pension contributions, and the less formal costs whether these be contributions to private pension schemes, customary bonuses, or similar payments.

There is a strong argument for looking at the elements which make up labour costs together, rather than simply at wages and salaries. In effect, the prime concern of employers when considering whether to expand their workforce, or where to pitch pay levels, is the total costs of employing people and not merely the wage element. Similarly employees, both actual and potential, are concerned not so much with the gross wage that they are paid as with the total value to them of what they receive from being employed, including the non-monetary elements in the form of pension contributions, health insurance, social protection and so on.

If non-wage elements were reduced, then employees would be expected

to exert upward pressure on pay to compensate. Similarly, if the non-wage elements were to be statutorily increased, then providing the increase were accompanied by a rise in non-wage benefits (in the value of pensions, for example), employees would be better off and employers would tend to limit wage increases which they were prepared to pay.

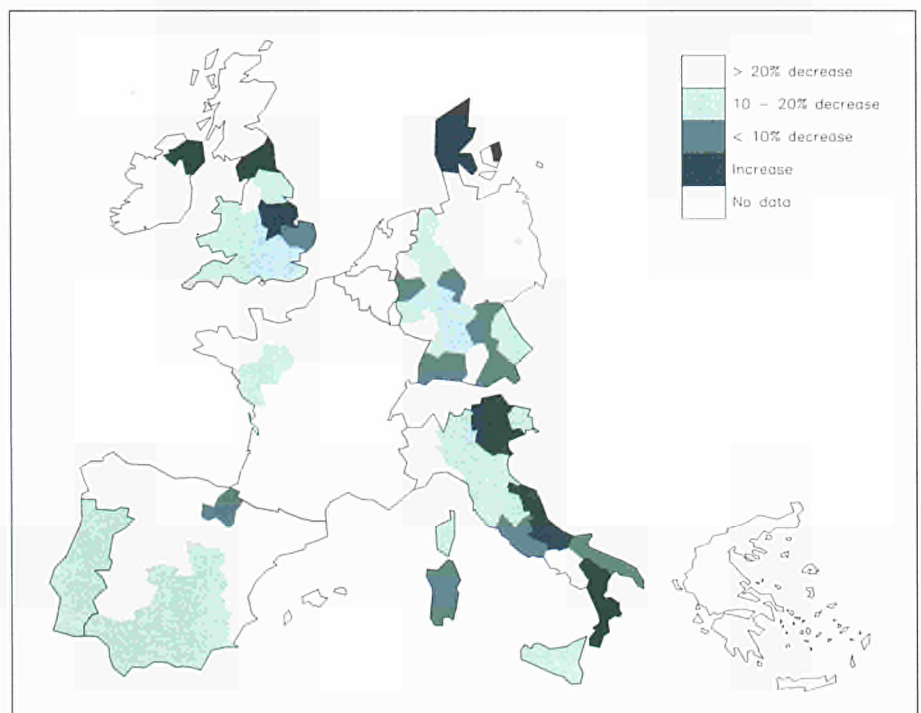
On this basis, we would expect to find that wages were relatively high — in comparison with productivity — in countries where non-wage labour costs were relatively low, and that they were relatively low in countries where non-wage costs were high.

This, by and large, is what is observed in practice, with countries such as France or Belgium — where non-wage costs are high — having comparatively low levels of wages

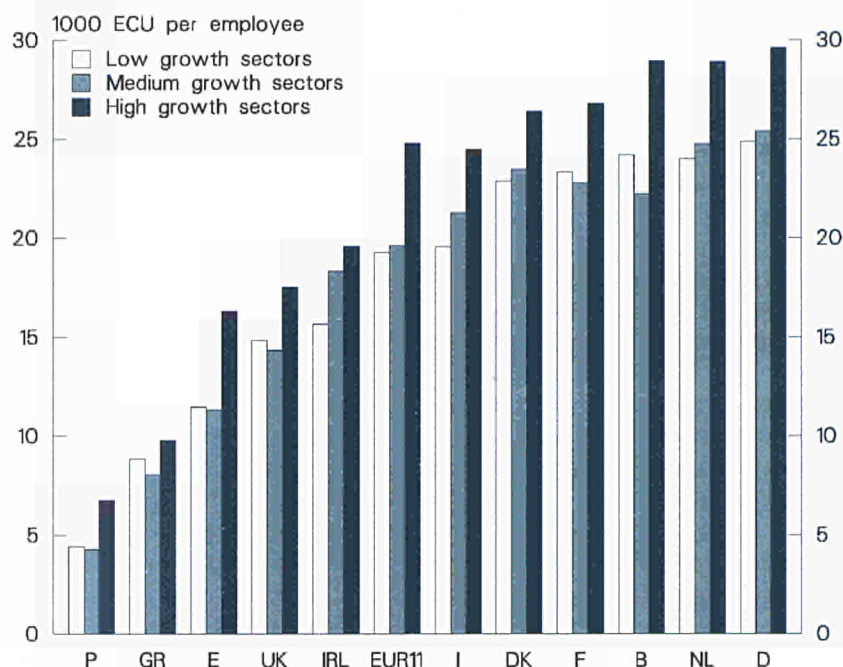
and countries such as Denmark — where non-wage labour costs are low — having comparatively high levels (see *Employment in Europe 1990*, Chapter 4).

As would be expected, average labour costs per employee (i.e. wage plus non-wage costs) are much higher in manufacturing in the more developed parts of the Community than in the less developed parts. In terms of ECU, the average level was five times higher in Germany in 1987 than in Portugal and three times higher than in Greece (Graph 134). (These differences do not reflect differences in real income levels, or standards of living, because the pattern of prices is significantly different as between the two pairs of countries; adjusted for this, the difference in real wages between Germany and Portugal is reduced to around 3 times.) The major exception is the UK, where

133 Changes in employment in low-growth sectors of manufacturing 1980/81–1987/88



134 Average labour costs per employee in sectors of manufacturing in eleven Member States 1987

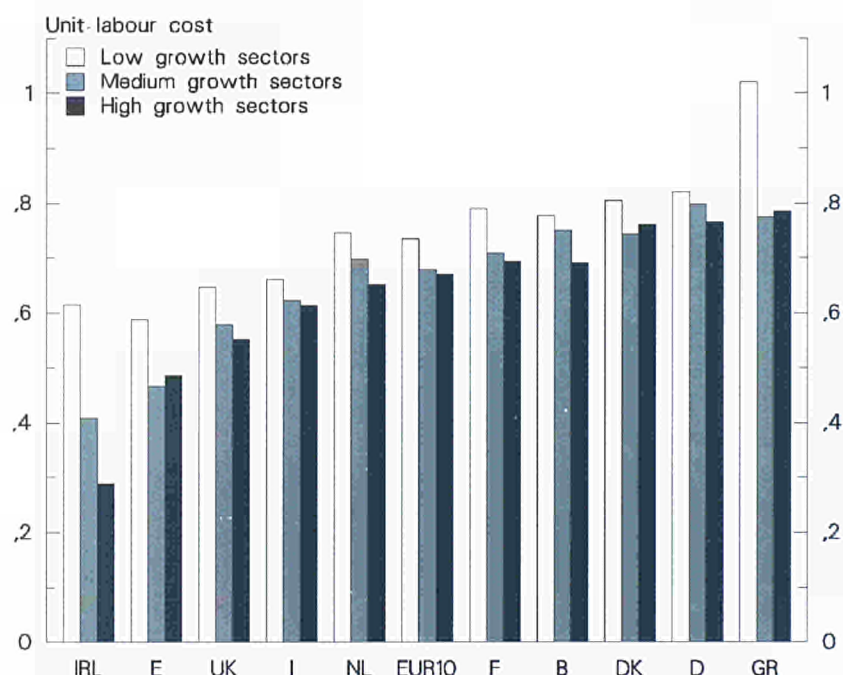


labour costs per employee in manufacturing were significantly less than the Community average in 1987 and lower than in Ireland.

It is notable that in five of the Northern countries, Germany, the Netherlands, Belgium, France and Denmark, average labour costs per employee are remarkably similar in medium- and low-growth industries. Indeed the average in each country is within 6–8% of each other. For high-growth industries the difference is slightly larger, ranging from around 27,000 ECU per employee in Denmark and France to 30,000 ECU in Germany.

In all countries, average labour costs per employee — and average wage and salary levels — are higher in high-growth sectors than in medium- or low-growth sectors. For the Community as a whole the difference amounts to over 20%, and in all Member States, apart from Ireland and Greece, the difference is significant. In most countries, the average level of labour costs is also higher in medium-growth industries than in low-growth sectors although, apart from in Ireland, the difference is small — around 5% for the Community as a whole.

135 Unit labour costs in sectors of manufacturing in ten Member States 1987



Unit labour Costs in Manufacturing

Comparing the pattern of labour costs in manufacturing across the Community with comparative levels of value-added per employee, or productivity, shows that there is some broad tendency for the two to be related, in the sense that countries where labour costs are high also tend to have relatively high levels of value-added per employee. Accordingly, high rates of

pay can in some degree be justified by high levels of productivity.

Differences in productivity, however, do not completely offset differences in labour costs. There is some tendency for labour costs per unit of value-added in manufacturing (i.e. labour costs per employee expressed as a ratio of value-added per employee) to be higher in countries where labour costs are also relatively high. This is the case for Germany, Denmark, Belgium and France, where in 1987, unit labour costs were above the Community average, although by much less than average labour costs per employee (Graph 135).

By contrast, unit labour costs in the Netherlands, where the average cost of employment in manufacturing was second only to Germany, were less than the Community average, while unit labour costs in Greece, where wage levels were the lowest in the Community (apart from in Portugal), were the highest of all the Member States (no comparable data on value-added are available for Portugal).

Nevertheless, unit labour costs vary much less than labour costs per employee as between countries and, for most Member States, lie within a comparatively narrow range (from around 60% to 80% of value-added). The main exceptions in 1987 were Greece for low-growth sectors, where labour costs apparently exceeded value-added, Italy, the UK and Spain, where unit labour costs were broadly between 50 and 60% of value-added, and, most notably, Ireland, where unit labour costs in high-growth, high-technology sectors were extremely low (under 30% of value-added). The counterpart of this in the latter four countries, but especially in Ireland in high- and

medium-growth sectors, is that profits per unit of value-added were unusually high.

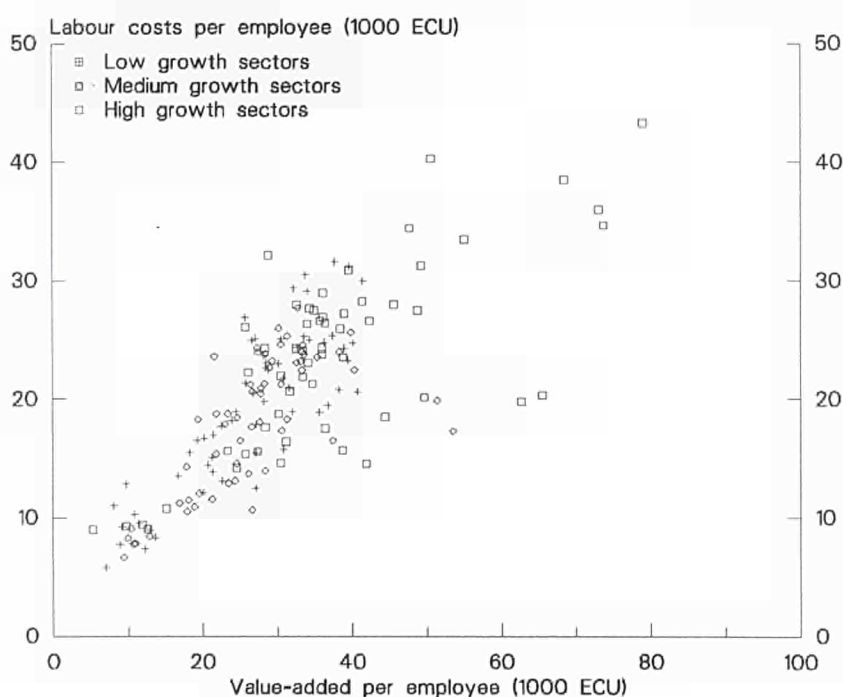
In Ireland, this reflects the relatively high level of profit per unit of value-added earned by the multi-national companies. It is notable in this respect that in the traditional low-growth industries in Ireland, where multi-nationals are not important, unit labour costs, at just over 60%, are similar to those in Spain and not all that much below the Community average.

There is, however, a remarkably uniform tendency across the Community for unit labour costs to be higher in low-growth, labour-intensive industries than in other industries, despite the low level of average labour costs per employee in these sectors. Similarly there is an equally systematic tendency for

unit labour costs to be relatively low in high-growth, capital-intensive industries, despite their high average wages per worker. In effect, the difference in the level of productivity between these groups of industries is sufficiently large to more than compensate for higher rates of pay.

To explore the relationship between labour costs and productivity further, it is possible to examine the details for the 18 NACE industries individually in the Member States. This is done in Graph 136, which plots the values for average labour costs per employee against value-added per employee in these industries in each of the 10 countries for which data are available for 1987. Clearly if the relationship held perfectly, in the sense of productivity differences fully offsetting differences in labour costs, the

136 Labour costs and productivity in sectors of manufacturing 1987



points in the graph would lie along a straight line from the origin. The fact that they more or less do so indicates that, while there are some exceptions, the two magnitudes are reasonably closely related. There is a marked tendency, therefore, for industries with relatively high average labour costs also to have relatively high levels of value-added per employee.

The graph also shows that it is invariably in the high-growth sectors in Member States that average labour costs (and wages) and productivity are high. The implication is that labour costs per unit of value-added in practice bear little systematic relationship to the level of average wages. High wages in an industry in a Member State do not, in other words, imply that unit labour costs are also high.

Growth of Labour Costs in Manufacturing

Between 1980 and 1987, average labour costs per employee in manufacturing, measured in current ECU terms, increased by around 60% or so in the Community as a whole. There were, however, significant differences both between Member States and between industries. For Italy, for example, the rise was around 90%, as the exchange value of the Lira failed to be adjusted in line with comparatively high rates of Italian wage increases — so seemingly putting Italian industry at a comparative cost disadvantage when competing with producers from other countries. On the other hand, for Spain, Belgium and the UK (two of which were outside the ex-

change rate mechanism of the EMS and experienced some depreciation of their currencies), average labour costs went up by less than 50% in current ECU terms over this period (Graph 137).

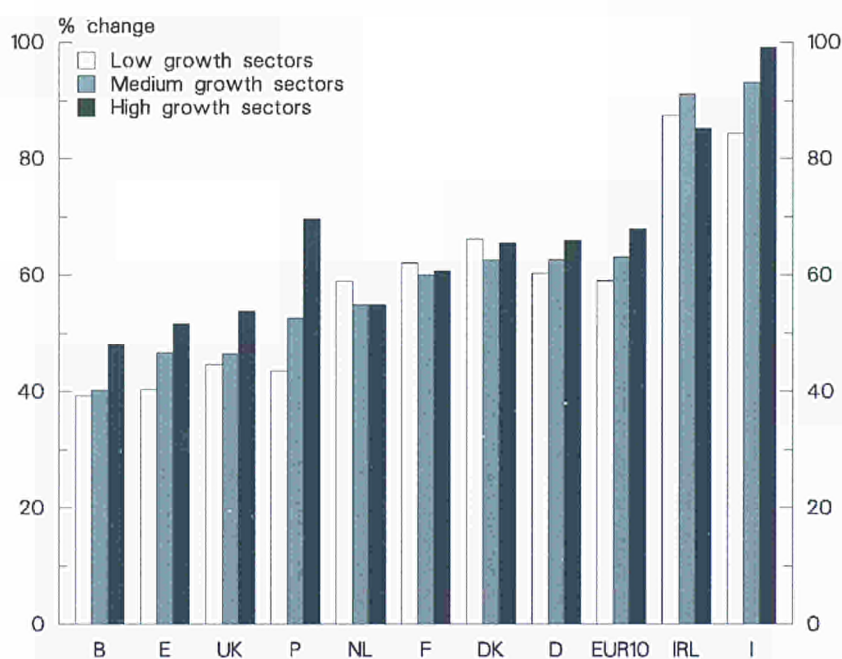
Despite these differences, for most industries in most countries, the increase in average labour costs per employee was of a similar order over these seven years. What was also similar was the pattern of increase as between the groups of industries.

In six of the ten Member States, labour costs per employee — or average rates of pay increase — in high-growth industries went up between 1980 and 1987 by more than in other sectors. In these six countries also, the increase in labour costs in medium-growth industries was greater than that in low-growth sectors. In the four other countries for which this was not the case, moreover, the difference in the rate of labour cost increase between the three groups of industries was relatively small — less than 5%.

On the other hand, in the first group of six countries, several Member States showed marked differences in the labour cost increases between the three industry groups. At the extreme, in the case of Portugal, the increase in high-growth sectors was two-thirds higher than in low-growth industries, implying that average wages in the former went up by over 7% a year more than in the latter. Less extremely, but still significant, the difference in rates of increase between high- and low-growth sectors in Spain and Belgium was over 3% a year and in the UK and Italy, over 2% a year.

The rates of increase in labour costs when related to the rise in value-added per person employed — or productivity — imply that unit la-

137 Changes in average labour costs per employee in sectors of manufacturing in ten Member States 1980–87



bour costs in manufacturing fell between 1980 and 1987. For the Community as a whole, the average decline was around 5%, although with a significantly larger fall in high-growth sectors, over 10%, than in the other industries (Graph 138).

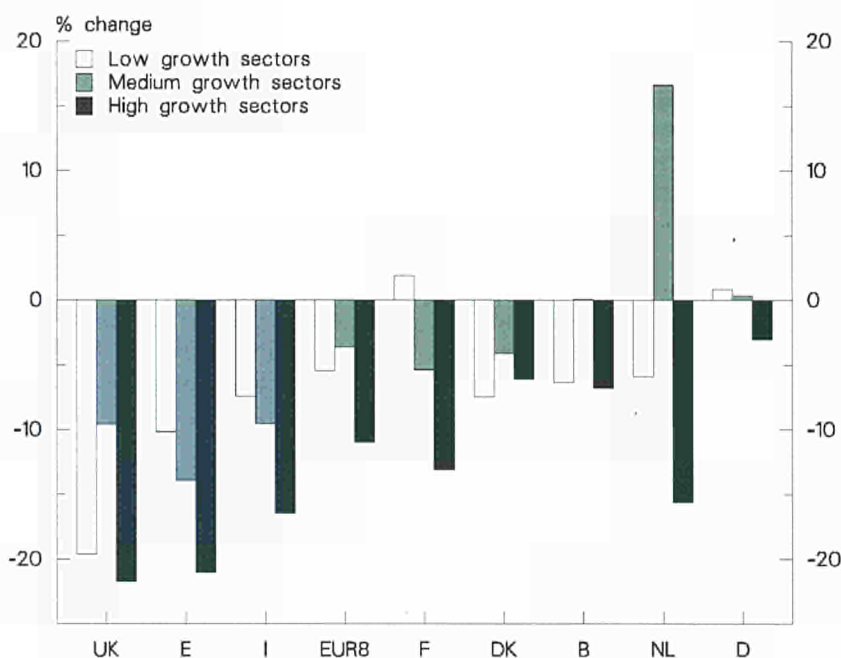
There were, however, marked differences between Member States. Taking the extremes, unit labour costs in manufacturing hardly changed at all in Germany over this period, while they declined by over 15% in the UK (by 10% in medium-growth sectors and by as much as 20% in low- and high-growth sectors) and by almost as much in Spain. The counterpart of this is that, in these two countries, profits per unit of value-added went up considerably during these years.

At least part of the explanation for these changes is the relatively depressed level of industrial activity at the beginning of the period in 1980 which of itself tends to depress profit shares, if only because a significant proportion of labour costs in the short-term tend to be fixed and cannot easily be reduced in line with output. This applies to a lesser extent to the other countries.

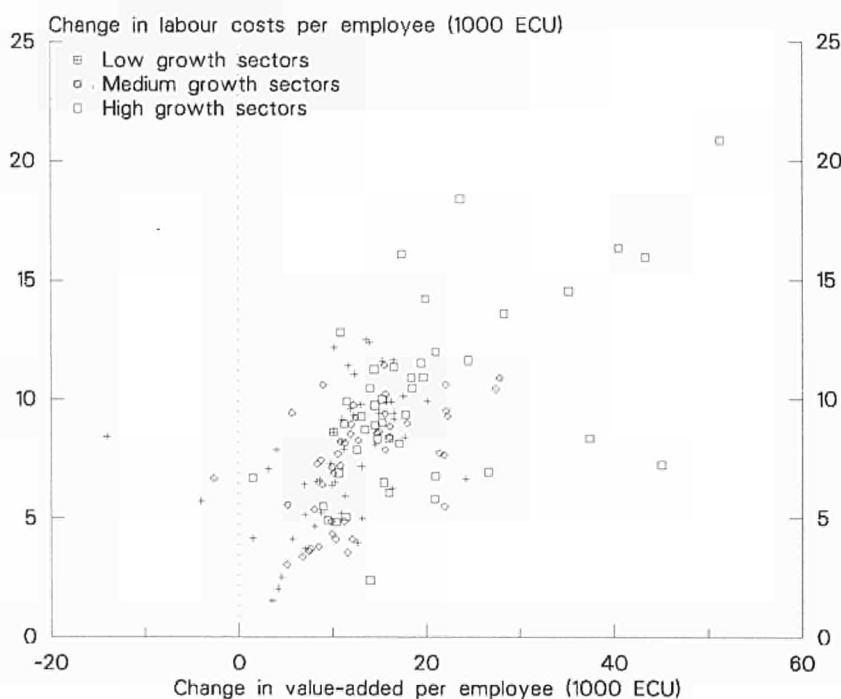
In seven of the eight Member States for which it is possible to calculate the change, unit labour costs fell between 1980 and 1987 by more in high-growth sectors than in other parts of manufacturing, and in Denmark — the only exception — the difference was small. Only in the Netherlands and France did any of the industry groups show any significant rise in unit labour costs over this period (Graph 138).

It is possible to carry out a similar kind of analysis as above in order to examine further the relationship between changes in average labour costs and changes in value-added per employee.

138 Changes in unit labour costs and productivity in sectors of manufacturing in eight Member States 1980–87



139 Changes in labour costs and productivity in sectors of manufacturing 1980–87



Plotting the changes in the two variables between 1980 and 1987 for the 18 NACE industries in each country for which data are available indicates a reasonably close association between the two (Graph 139). In most cases, therefore, average labour costs per employee went up by more in industries in which value-added per employee increased by a relatively large amount than in sectors where productivity growth was relatively low.

Indeed, since most of the industries lie below the 45 degree line in the diagram, most of them experienced a larger increase in value-added per employee than in average labour costs — in a number of cases, a significantly larger increase. In general, therefore, the rises in productivity which occurred over this period were only partly reflected in pay rises. Conversely, the increases in average labour costs — or in wage rates — which took place exceeded the growth of productivity in only a few cases.

Regional

Differences in Wages in Manufacturing

The lack of consistent and comprehensive data makes it difficult to examine variations in labour costs in manufacturing as between regions within Member States, while any analysis of differential increases in regional rates of pay is virtually impossible. Nevertheless, the data which are available indicate that the scale of regional variation in average wages differs significantly from country to country, although such comparisons are clouded by differences in the population size of regions, both between and within Member States.

Comparing the three regions (defined at NUTS level II) with the

highest levels of average gross wages per employee (labour cost data are less readily available at the regional level) in manufacturing and the three with the lowest levels in 1988 (1987 for Spain) shows a difference of 46% in the case of Germany, 36% in the case of France and a much larger 107% in the case of Spain. The UK would appear to have a smaller regional variation, of only 27%, on the basis of estimates using NUTS level I data. (The much lower level of average wages relative to labour costs in Spain, especially in relation to the UK, reflects the high level of non-wage costs).

Although these differences may reflect, to some extent, variations in the importance of high and low wage industries as between regions, similarly large differences are found for individual sectors within manufacturing. It is difficult, however, to be certain that one is comparing like with like even at a finer level of disaggregation.

Despite these uncertainties of interpretation, it appears that, in general, the regions with the lowest wage levels tend to be those with the greatest employment difficulties.

Moreover, it is notable that the scale of these differences, which seem to have persisted for some time, is as large — if not larger — than the differences between Member States. In themselves, the differences in wages appear to be sufficient to encourage businesses to relocate. The fact that inter-regional movement of industry has not occurred on a scale necessary to solve regional employment problems seems to suggest that other factors, and other cost and non-cost considerations, are at least as important in determining location.

Part III Employment Policies

Chapter 7 Skill Shortages: a Growing Problem in the Community?

Community Action to Promote the Employment of Women

List of Graphs

Sources



Chapter 7 Skill Shortages: A Growing Problem in the Community?

While skill shortages are recognised as a problem for the Community it is difficult to be precise about their extent, nature and consequences. What is the role of education and training systems in fulfilling future skill requirements and what practical steps are being taken ?

Introduction

Concerns about skill shortages increased during the 1980s, creating pressure for action in the 1990s. Changing labour supply conditions (with fewer young people entering the labour market, a rising female participation rate, and the increased numbers of older workers) coupled with the increasing skill content of many jobs and the need for flexibility at the workplace have brought changes to the labour market. Employers, training agencies and educational establishments appear to have been slow to adapt, posing problems for future Community competitiveness and employment growth.

The issues are not clear-cut, however. While there is no doubt that skill shortages exist — in the sense that employers cannot fill certain posts with people of the quality they are looking for — and there is evidence that the problem has increased in recent years, it is less easy to assess the real economic consequences of such apparent shortages — how far they constrain production or affect Community competitiveness. Moreover, there is

no general agreement on the correct way to combat the deficiency — especially regarding the respective roles of public bodies and firms — or on the time scale over which such action can hope to be effective.

This chapter seeks to identify the extent and nature of skill shortages in the Community, drawing on a variety of evidence on this well publicised, but poorly defined and documented phenomenon, and looks at possible skill developments in the future. It also examines existing responses from both the education and training systems.

The Nature of Skills

The concept of skill shortage is complex, and indeed elusive, not least because the bulk of human skills and abilities cannot be considered simply as qualities embodied in individuals. In order to be relevant, or even measurable, most human work skills have to be seen in relation to the capital used at the place of work, to the technology embodied in that capital and to the system of work organisation used to relate the capital and labour together in order to produce goods and services.

Thus skill shortages are not absolute — what matters to one firm may matter less to another, even in the same line of activity, since not all firms react in the same way to labour problems. For example, a firm may have faced skill shortages in the past and chosen to change its production methods or invest in new equipment in order to overcome the shortages, while another persists unsuccessfully in seeking to fill its available jobs.

The simplest illustration of the relationships at work is the traditional assembly line method of production, where a high level of technology is embodied in the capital equipment and where labour is required simply to perform fitting and fixing jobs that machinery is unable to do. In such cases, the labour skill requirements are rather basic, as much related to general work habits — reliability, regularity, and so on — as to specific abilities, other than simple dexterity and physical strength.

Over time, of course, production processes have developed — robots have been created so that even complex tasks can now be performed by machine (in other words the ma-

chine now embodies the human capacity of dexterity) leaving human beings to the tasks of checking and controlling that the machine is doing what it is supposed to be doing. The machine is only capable of doing such tasks, however, because elsewhere in the economy, highly educated, trained and skilled people have redesigned the production system and produced equipment which embodies the human qualities, thereby reducing the labour requirements per unit of output.

The overall result of this dynamic process is a progressive shift in labour requirements away from low-skilled manual operations towards highly-skilled knowledge-based work. These changes need not necessarily take place — and indeed generally do not take place — in the same plant or within the same firm. For example, a reduction in the number of staff required to operate new printing machines in a print works (and, possibly, a reduction in their skill requirements) may be offset by an increase in the demand for appropriately skilled labour in companies designing and making increasingly sophisticated printing equipment.

Accompanying these changes in technology have been other changes reflecting new approaches to the use of human resources by firms. These have included a shift towards ‘multi-skilling’ in many occupations, for example among craftsmen who may now be required to perform several different functions from production planning to repair and maintenance. Such changes may reflect a number of factors — a decline in the amount of traditional maintenance, the need for shorter production runs producing diversified high quality output, or even a decision to restructure in order to

improve motivation or quality control. Such changes generally result in a reversal of previous tendencies towards highly automated, but inflexible systems.

While it is perhaps easiest to illustrate these changes in relation to manufacturing industries, exactly the same processes have occurred in services. There has been a great deal of work redesign — reversing the traditional division of labour — frequently linked to new organisational arrangements with more emphasis on teamworking and decentralised responsibility.

Skills and Community Competitiveness

Skill shortages may be reported as a problem for individual firms, but they also indicate wider imbalances within an industry or economy. The relevance of this is that, while the quality of human skills in the Community largely depends on the effectiveness of the education and training systems in the Member States (both now and in the past), the technology that is embodied in the capital equipment and production processes used in the Community (and to which the human skills are applied) is produced, and increasingly available, on a world-wide basis.

New technology spreads at an increasingly rapid rate, both within organisations which establish themselves world-wide, or through imitation of one form or another. The fact that much technology is embodied in equipment is, moreover, a factor ensuring its rapid diffusion. It also means, for example, that users of equipment

such as computers have to keep pace with new machinery or new software programmes just as much as producers.

Moreover, as the pace of technical progress and its diffusion increases, so the time taken for best-practice techniques to gain the preponderant market share is becoming progressively shorter. As a result, businesses world-wide are forced to adapt more and more quickly to changing methods of production, and the latest techniques and equipment are as likely to be found in Asia as they are in the US or Europe.

Indeed, one of the major disadvantages faced by the Central and Eastern European economies prior to their liberalisation was that they were effectively cut off from rapidly developing Western technology and therefore fell increasingly behind in terms not only of the productivity of their production processes but also of the quality and sophistication of the products produced. In future, when they invest in new technology, these economies will also need to upgrade the skills of their workforces in order to be able to compete in world markets.

At any one point in time, therefore, for any given product or service, a best-practice level of technology is generally available to most firms on the World market. Such markets, whether for goods or services, do not generally support widely differing levels of technology using different levels of labour force skills for very long. Only in extreme cases where the level of development in the economy is very low, or where there is little or no education investment is it realistic nowadays to talk of alternative technologies for goods and services that are traded on World markets.

The challenge to the Community is clear. The Community is not always the only, or indeed the leading, producer of high or modern technology in the world. In order to compete successfully and to hold this place in the World economy, its enterprises need to use the latest and most efficient technology available. This in turn means, at least, that the Community has to have a labour force which is educated and trained to handle that technology. When firms complain that they face shortages of skilled labour, they are in effect saying that the labour available to them is not comparable to that required by the technology embodied in modern equipment and processes of production.

Of course, skill shortages can be of a less global or dramatic nature and may be more related to temporary labour market imbalances. They may even, perversely, result from changes in the labour force taking place more rapidly than changes in the production process. For example, it is commonplace to find shortages of traditional craft skills compared with present day levels of demand because people have left these trades, or failed to enter them, at a faster rate than demand has fallen. However, whatever their precise nature, most skill shortages — where they genuinely exist — will reflect some imbalance between labour market needs and the systems designed to educate and train people to meet them.

The Extent of Skill Shortages

Community surveys

A first point of departure in assessing the extent of skill shortages is the Community's quarterly business surveys. These comprise enquiries

about production difficulties and, in particular, about the extent to which output is being constrained by insufficient capacity or other factors, including difficulties of recruiting labour with the requisite skills. These surveys provide useful evidence on the relative importance of skill shortages in the Community and how they have changed over time. The absolute value of the indicators has, however, to be treated with care given the uncertainties about what they are actually measuring.

Given these caveats, the surveys suggest that, over the period 1982 to 1990, recruitment difficulties increased throughout the Community, with the exception of Ireland and Denmark (for Spain and Portugal it is not possible to say because surveys only began comparatively recently) (Graph 140). These difficulties seem to have been associated with both a general in-

crease in the degree of capacity working over the period, and a tightening of the labour market — at least from the mid-1980s onwards — as reflected in the unemployment figures. The level of recruitment difficulties seems to vary widely between Member States, although their variations through time appears to be broadly related to levels of economic activity, as measured by the degree of capacity utilisation.

The biggest increases in recruitment difficulties occurred in the UK, France, Germany, Belgium and the Netherlands and took place especially over the second half of the 1980s. In general, since the degree of capacity utilisation increased only to a minor extent, it could be deduced that skill shortages were becoming a bigger problem throughout most of Northern Europe over the 1980s. The

140 Capacity utilisation and recruitment difficulties in the Member States 1982, 1986, 1990

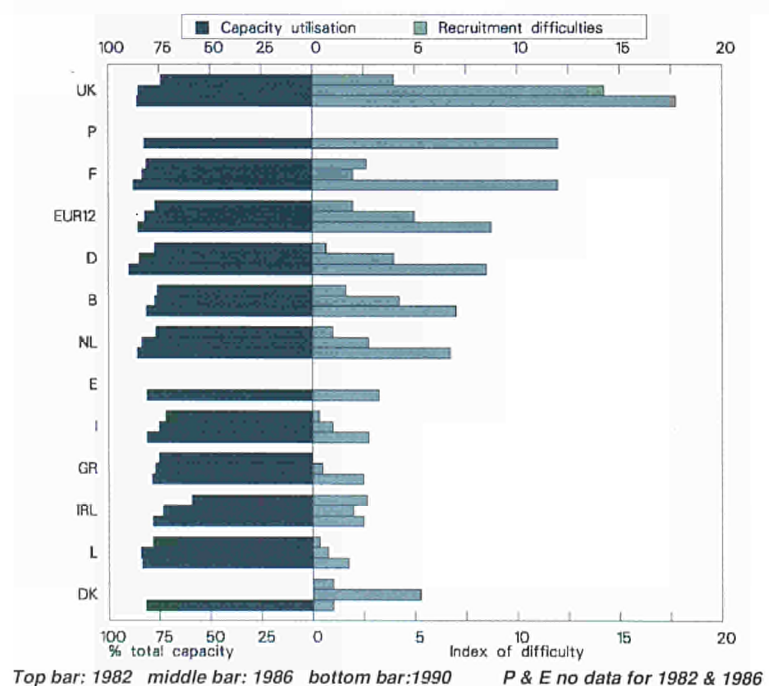


figure for Portugal in 1990, moreover, appears to indicate that significant skill shortages also exist in the South of the Community.

Comparing recruitment difficulties as between Member States, the scale of the problem seems to have been considerably greater in the UK by 1990 than elsewhere, although it is difficult to interpret the comparative figures (which show the balance of firms indicating that they have difficulties over those which do not). It can be observed, however, that since the UK's difficulties are not associated with a degree of capacity utilisation significantly greater than elsewhere, and since the comparative unemployment figures do not indicate a much tighter labour market, the evidence appears to point to more structural skill deficiencies rather than a temporary lack of suitable labour.

Sectoral and Occupational Skill Shortages

Apart from these Community-wide surveys, more detailed studies have been undertaken, from time to time, within individual Member States. While it is difficult to draw conclusions for the Community as a whole, they are useful additional indicators of the problem and its importance relevant to other difficulties faced by companies.

Regular surveys of businesses in manufacturing industry undertaken in Germany by the IFO Institute are sufficiently detailed to be able to compare recruitment difficulties between different sized companies. The results reveal that, by and large, difficulties tend to be less the larger the size of firm. Thus, throughout the

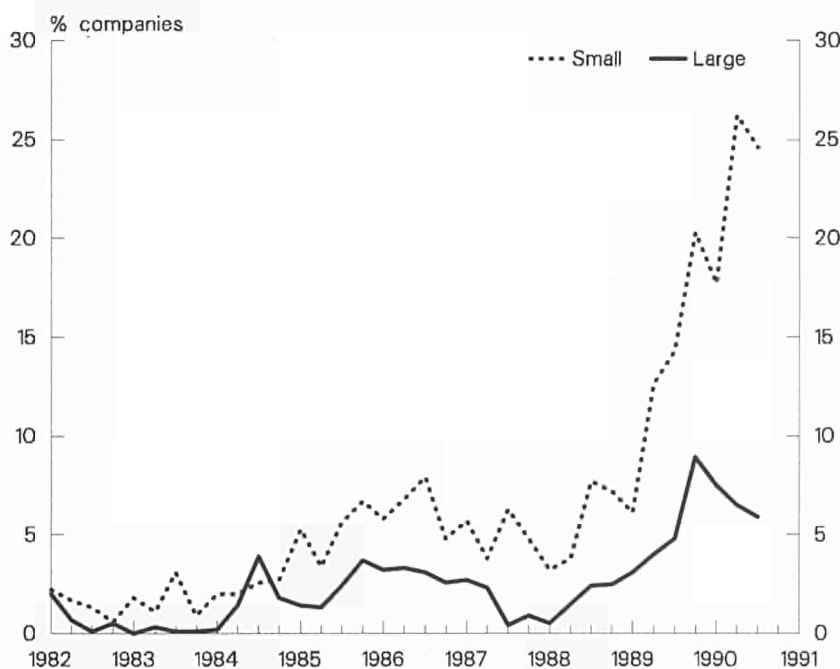
1980s, small firms employing less than 50 people consistently had significantly greater problems finding suitable labour than large companies with more than 1000 employees (Graph 141). Moreover, the scale of the difference increased considerably in 1989 and 1990 as capacity utilisation and the tightness of the labour market increased.

Similarly, surveys of recruitment difficulties in the UK tend to reveal that small firms there find it harder than large firms to find suitable labour. There are a number of possible reasons for this, including a reluctance or inability to pay high enough wages or to provide acceptable terms of employment, and a lack of in-house expertise or training capability to make good any skill deficiencies.

It is notable, however, that a recent study of company employment problems in Germany showed that, of the sample of firms having difficulty in filling vacancies in 1989 and 1990, less than 15% considered that lack of skills was the main source of difficulty in recruitment. The majority of respondents mentioned excessive demands on the part of applicants — in terms of pay, terms and conditions — as the major problem.

Shortages are often concentrated in particular sectors. Research in the UK, for example, showed that, at the end of 1989, companies in the engineering sector had the most difficulty finding suitable recruits — 63% of all vacant positions being regarded as hard to fill, as opposed to 42% in business and financial services and 34% in the public sector. This, however, was at a time when demand was growing rapidly, firms were working at high capacity and unemployment was falling significantly. Since then, demand has

141 Proportion of large and small companies reporting production difficulties due to recruitment difficulties in Germany 1982—1990



slumped and shortages may well have diminished considerably in 1990.

As regards the type of skills or occupations, the UK survey found that the positions most difficult to fill when labour was scarce were those for professionals, technicians and craftsmen. However, as for the German study, a lack of skills as such was only part of the reason for recruitment problems. Just as important for employers in the UK was an apparent lack of experience among applicants relative to the job on offer.

More general evidence on occupational changes, which reflect changing skill requirements, is available for some Community countries. This indicates that, over the 1980s, there was a widespread growth in the importance of managerial and technical employment and a reduction in the number of jobs for manual workers. In the Netherlands, for example, employment of technicians increased from 21% of the total numbers in work in 1983 to 24% in 1988, while the employment of manual workers declined from 33% to 30% of the total over the same period (Graph 142). The change in Belgium was very similar (from 19% to 22% in the case of technicians and from 39% to 35% in the case of manual workers). In the two less developed countries in the South of the Community for which data are available, Spain and Greece, the change was of the same order, although the employment of technicians was significantly less (only around 10% of the total in 1988) and the employment of manual workers considerably more (50–55% of the total in 1988).

Attempts to make comparisons between the Community and elsewhere — for example with the US and Japan — are, however, fraught with

difficulties. Published data would suggest, for example, that technical occupations are less important in both the US and Japan than in either the Netherlands or Belgium, in Japan substantially so, while in the US, managerial occupations are far more important than elsewhere. Even more striking, the data suggest that the proportion of managerial and technical employment in Greece is the same as in Japan which seems, at best, unlikely.

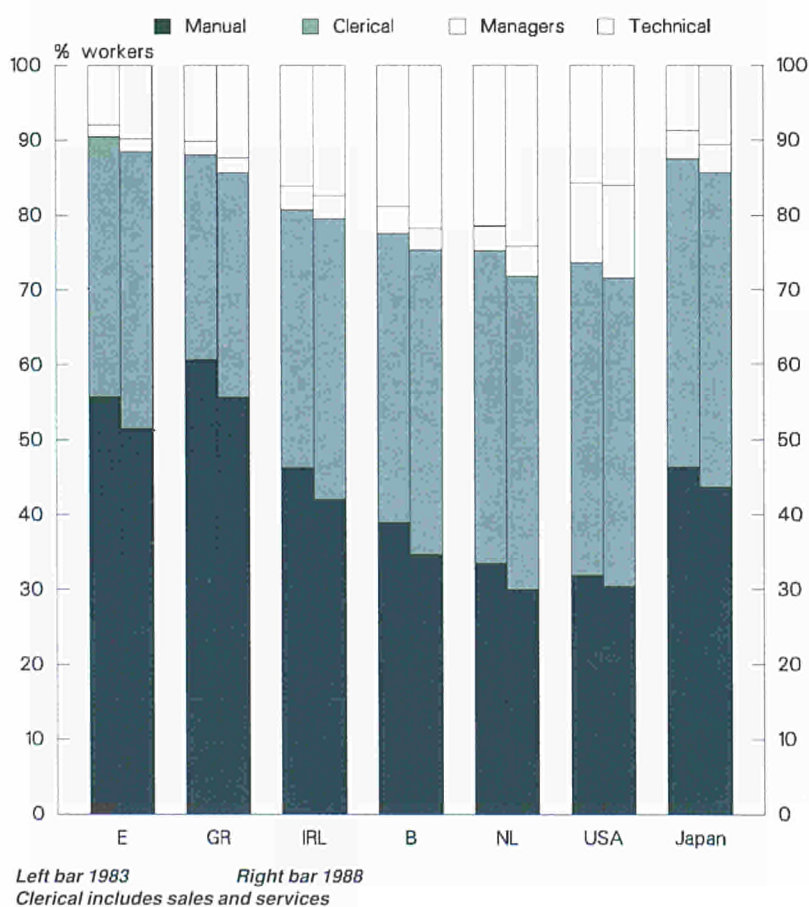
Regional labour market evidence

In order to investigate issues of skill shortage in greater depth, the Euro-

pean Commission has recently undertaken a number of regional studies of skill shortages and training needs in a variety of labour market areas (see Box). These report many examples of skill shortages, especially in electronics and engineering.

In the Weser Ems region of Germany, for example, more than two-thirds of businesses interviewed had problems finding adequately trained personnel, particularly in engineering, manufacturing, construction and transport. The Dublin region of Ireland also suffers from a range of skill shortages including basic operational skills in the use of

142 Occupational trends 1983, 1988



Analysing Skill Shortages and Skill Requirements

In order to meet the challenges of the 1990s, skill shortages, which would put at risk the potential gains from the Internal Market, must be avoided.

This concern is widely shared by both sides of industry (as shown, for example, by the IRDAC Report on skill shortages of engineers and technicians) and by Community institutions.

To this end, the Commission has launched a variety of programmes, including COMETT (Community Programme in Education and Training for Technology) and FORCE (Continuing Training in Europe). Both programmes involve analyses of skills and training needs. In addition, a special project was initiated in 1990 by the European Parliament and undertaken by the Commission to organize exchange of information on skill shortages, new skill requirements and measures to combat shortages.

Through these programmes, the aim is :

- to collate information on present skill deficits, future skill needs and the demands on education and vocational training in the 1990s;
- to spread this information throughout the Community so as to improve the quality of its human resources;
- to initiate regionally and sectorally the creation of networks to achieve a better balance between supply and demand in skills;
- to exchange information on best practices to avoid or correct shortages throughout the Community.

At a sectoral level, the Commission has initiated analyses of the electronics industry, textiles and the retail trade, as well as an assessment of the implications for skills of changes in processes and products resulting from the new emphasis on environmental protection and development of clean technologies. A study on the development of information and communication technologies and their implication for employment and skills has also been undertaken.

At regional and sectoral levels, an analysis of training needs is an integral part of the work of UETP (University Enterprise Training Partnerships) in the framework of the COMETT programme. In addition, a regionally-based analysis of skills shortages and possible responses to them has been initiated and is supported by the Commission. It involves 26 regions throughout the Community all with different socio-economic structures.

To ensure the reliability of the information collected and promote the creation of new partnerships, most of these analyses involve public authorities, federations, trade unions and education and training providers.

computer-aided design and manufacturing (CAD/CAM) and shortage of skilled operators of computer controlled equipment.

Studies in the South of the Community show a similar picture. For example, in Western Greece, small- and medium-sized firms in the high technology sectors report severe shortages of clerical, marketing and skilled manual personnel. Italian studies have shown skill shortages in traditional sectors such as clothing and food as the supply of labour to these sectors has declined.

Shortages are not confined to manufacturing. Studies in the UK and Ireland have reported various kinds of skill shortages in the financial services sector. Equally, studies in Spain and other Southern countries have shown skill shortages in other service areas, such as tourism. Shortages of certain occupations, such as nurses, are commonplace throughout the Community.

Shortages may reflect qualitative changes in the job which applicants with the normal technical skills may not possess. Formal qualifications acquired some time ago may not be an adequate guide to whether or not the person with those qualifications is able to do the job today. In other words, there may be a qualitative skills 'gap' as well as a quantitative skills shortage. Thus, good communication skills as well as basic scientific competence are increasingly required in areas such as environmental management because of the need to deal with the public and the regulatory authorities. Equally, in hotels and tourism, foreign language skills may also be required in addition to catering and service skills.

While skill shortages are generally greatest in the more buoyant re-

gional labour markets, high levels of unemployment can co-exist with skill shortages since a majority of the unemployed, especially the long-term unemployed, are unskilled and not qualified for new jobs requiring high levels of skill and self-sufficiency. Moreover, areas of high unemployment often lose many of the more highly qualified people to more prosperous regions. It is estimated, for example, that 25% of Irish graduates from the 1980s are now working abroad.

Such evidence tends to highlight weaknesses in the labour force available to firms. However, recruitment difficulties faced by firms may also be related to inadequacies in the jobs on offer — poor working conditions, low pay, remote locations, or ineffective recruitment practices due to lack of information. Many firms pay insufficient attention to human resource planning, training or general staff motivation and, in the face of skill shortages, resort to short-run solutions: ‘poaching’ workers from other firms in or outside the local labour market through higher pay, sub-contracting to specialist outsiders and so on. While these may provide a temporary respite for a particular firm’s difficulties, they do not, in general, expand the pool of basic skills.

Projecting skill needs

Virtually all the projections that have been made of employment needs into the 1990s and beyond emphasise the likely growth in demand for scientists, technicians and highly skilled workers generally, confirming the results that can generally be reached from the extrapolation of past trends.

The French BIPE forecast predicts a growth of employment between 1986 and 1994 of over 20% in the

liberal professions, 19% in technicians and 18% in corporate managers. Falling employment is anticipated among unskilled workers — down 17% — and among farmers and agricultural workers — down 22%.

The UK Institute for Employment Research has made occupational forecasts up to the year 2000 indicating that there will be a rapid growth in employment of managers, professionals, associated professionals and technical occupations. As a consequence the labour market for graduates is expected to be tight throughout the 1990s with good prospects for employment for those with qualifications in the social and economic sciences and in science and technology subjects.

The German IAB Prognos study on occupational trends to the year 2010 forecast an increase of 3.4 million jobs in highly skilled occupations, and a reduction of 2 million jobs in basic level occupations, both from a base of 1985.

Many studies also make qualitative extrapolations — foreseeing growing skill intensity, increased multi-skilling or hybrid skills at managerial level, transferable skills becoming more important, and low skilled jobs falling in numbers.

Useful as these indicators may be, they cannot identify the precise skill requirements which will be in demand, nor do they relate easily to the supply of skills which are likely to be available from the educational and training establishments in the Member States.

Moreover, the reliability of the forecasts will depend not only on the structural changes that are taking place but also on the future growth paths of the Community

economies (which are themselves subject to a wide margin of variation) as well as to the, as yet unknown, technological developments. For example, at the beginning of the 1980s, it would have been difficult to predict the speed of development of micro-computers, their diffusion throughout the economy, and their impact on working processes and systems.

Responses to Skill Shortage Problems

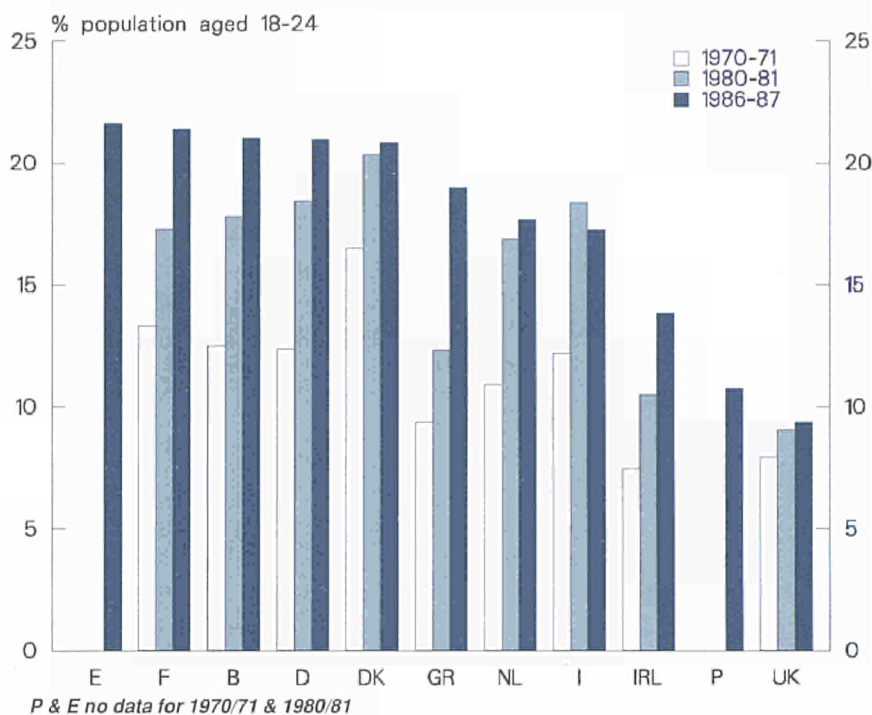
While there is no direct link between the general level of education and training and the more immediate problem of skill shortages, the greater the relevance, quality and amount of education and training, the more likely it is that the labour force will have the capacity and flexibility, not only to do or learn what is required, but also to be able to cope with change.

Solutions to skill shortages are to be found in a range of actions which can be taken at macro and micro levels by public authorities, enterprises, training and education providers, and by individuals — either acting independently or in partnership with others.

Education and Training of Young People

Figures on numbers of people staying on at school and going through the higher education system in the various Member States are important indicators of the investment being made in the future labour force, which will give the flexibility to avoid skill shortages developing there.

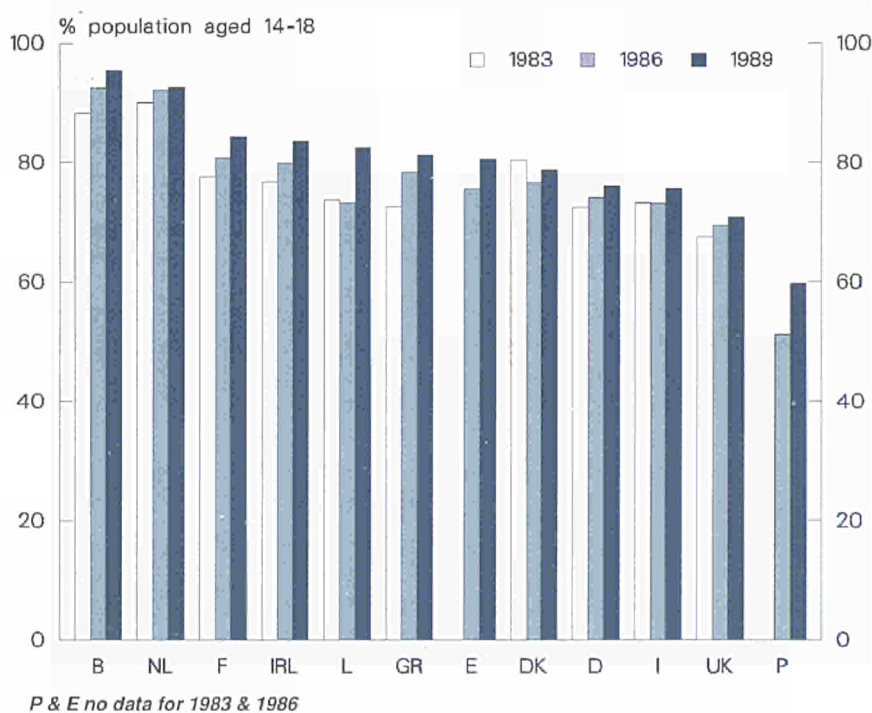
143 Share of 18-24 age group in higher education in the Member States 1970/71, 1980/81, 1986/87



In terms of higher level education, the numbers of young people being educated to university or equivalent level in the Community has increased markedly over the past 20 years. With only one or two exceptions, the proportion of 18 to 24 year olds in higher education at any one time has risen continuously since 1970 in the Member States. There remain, however, significant differences between countries.

Over the 1970s, the proportion of the 18-24 age-group in higher education rose from 11-13% to 17-18% in the more developed countries of the Community, with two exceptions. In Denmark, the proportion increased from 16% to 20%; in the UK, it increased from only 8% to 9% (Graph 143). In those less developed countries for which comparable data are available, Greece and Ireland, there was also a growth in the proportion of young people receiving higher education, although from a lower initial figure (9% in the former, 7% in the latter) and at a slightly lower rate.

144 Share of 14-18 age group in education in the Member States 1983, 1986 and 1989



In the 1980s, at least up to 1986/87, the increase continued in all countries, except for Italy where the proportion in higher education declined by 1%. The rate of growth, however, was significantly less than elsewhere in Denmark, the Netherlands and the UK, while in Ireland and Greece the growth accelerated. Indeed in the latter case, the increase between 1980/81 and 1986/87 was so marked — to a level of participation higher than in the Netherlands or Italy — that it raises doubts about the data supplied to Eurostat, especially since the rise occurred almost entirely in the two years 1983/84 to 1985/86, when the numbers in higher education appear to have risen by over 50%.

By 1986/87, therefore, the proportion of 18 to 24 year-olds in higher education varied from 22% in Spain (again there may be problems of data comparability) and only slightly less in France, Belgium, Germany and Denmark to just over 10% in Portugal and under 10% in the UK.

Figures from the Labour Force Survey also indicate a strong upward trend in the proportion of 14 to 18 year-olds staying on at school in most Member States. Between 1983 and 1989, this proportion increased by 9 percentage points in Greece and Luxembourg and by 7 percentage points in Belgium, France and Ireland (Graph 144). In Portugal, it increased by 9 percentage points in just three years between 1986 and 1989. By contrast, in the Netherlands, Denmark, Italy and the UK, the proportion rose by only 2–3 percentage points.

There remain significant differences in the proportion of young people in upper level secondary education across the Community, the figure varying from over 90% in Belgium and the Netherlands to only 70% in the UK and 60% in Portugal. These percentages do not take account, however, of the young people receiving training and education while working, as under the dual system in Germany.

The figures for both higher and secondary education suggest, therefore, that there is a particular need in certain Member States for a major expansion in the education system if the growing demand on the part of business for scientists, technicians and other people with high basic qualifications and the capacity to acquire the new skills and know-how is to be met.

Adult Labour Market Training in the Member States

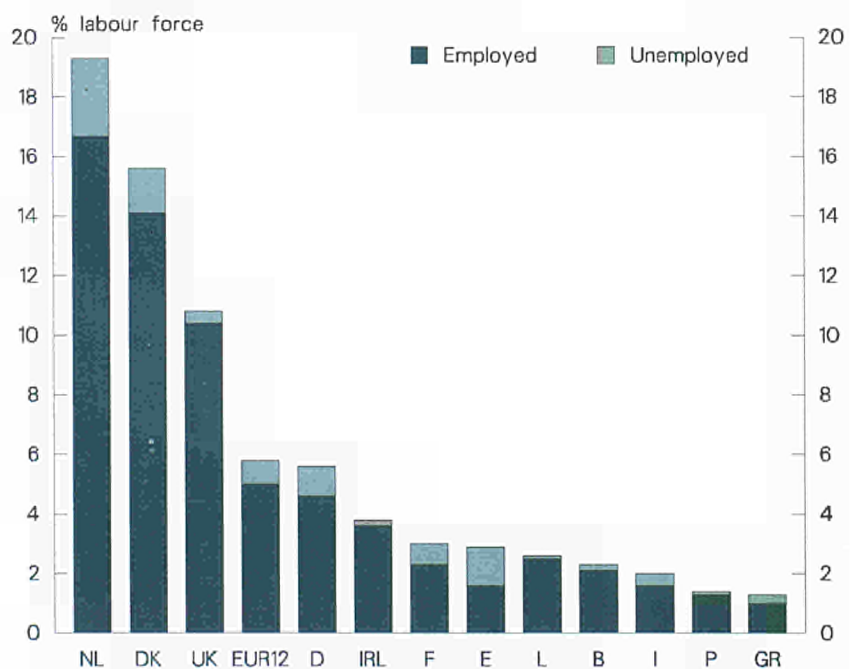
There is also the question of the lack of skills of the existing labour force many of whom will have received only limited initial education and whose training, if any, may be dated or outmoded through structural or technological change. Here the vocational training systems of companies — as much as of public agencies — are central elements in combating the problem of skill shortages and introducing elements of continuous training into the systems of the Member States.

Training information is difficult to collate since it is done by a variety of bodies and, even more importantly, there remain major differences between Member State systems

despite progress in terms of mutual comparability and recognition of qualifications. Nevertheless, useful basic information about the extent of training among 25–49 year-old people in the Community can be obtained from the Labour Force Survey (LFS) which regularly asks respondents whether they have been in employment-related training during the period before the interview and the type and the purpose of such training. No information is available, however, about the duration or funding of the training.

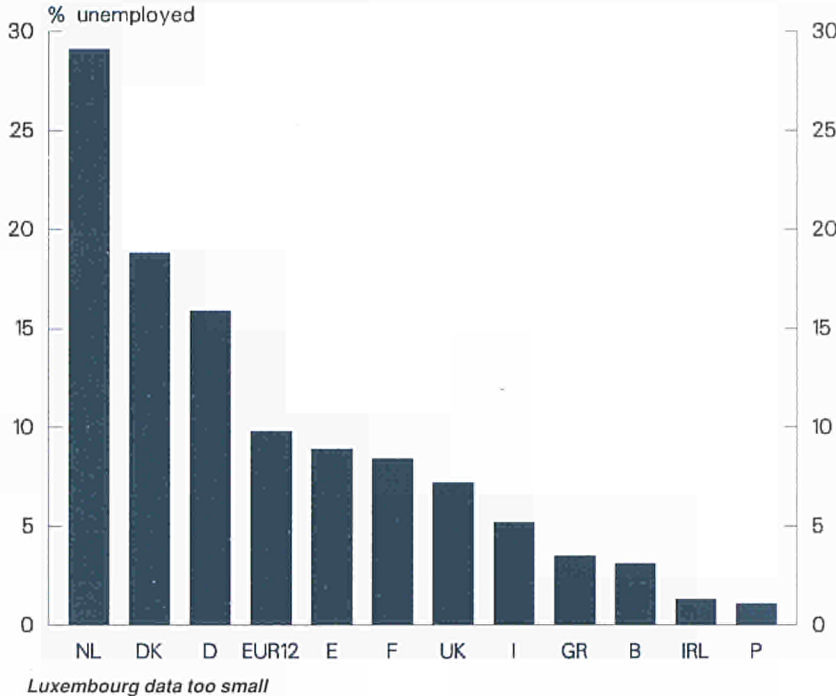
In Spring 1989, 6% of all 'prime age' 25–49 year-old adults in the Community labour force reported that they had received employment-related training during the previous four weeks. In other words, about 5 million persons were trained for economic activity during that period. Training activities varied widely

145 Share of the labour force in adult labour market training in the Member States 1989



146 Share of unemployed in adult labour market training in the Member States

1989

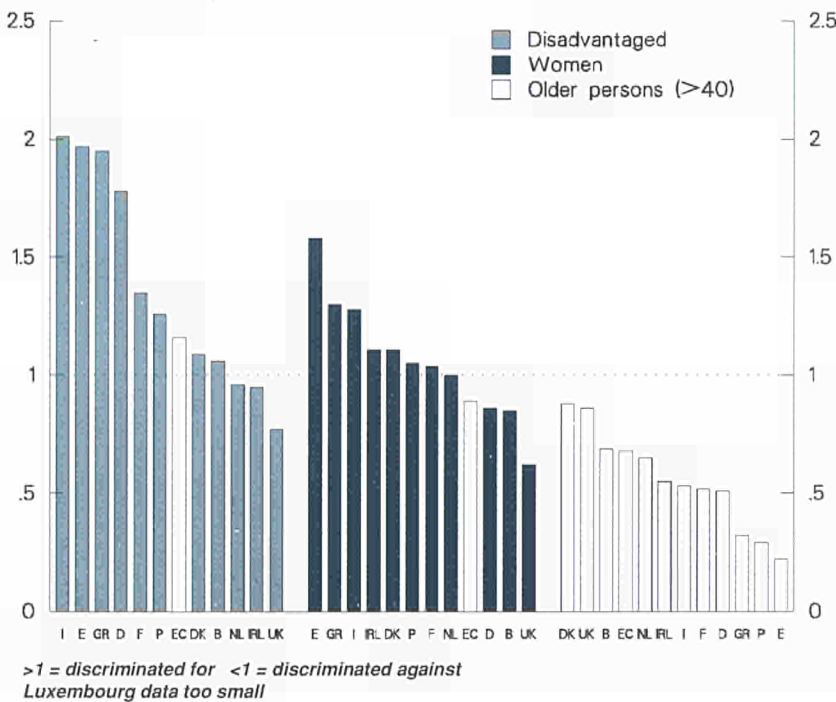


between countries, however. The share of adults receiving such labour market training ranged from less than 2% in Greece and Portugal to more than 15% in Denmark and the Netherlands (Graph 145). In general, there was more training activity in the North of the Community than in the South, with the exceptions of Belgium, which scored low, and Spain which was in an intermediate position.

Since the early 1980s, training activities have increased in practically all Member States for which data are available. In some, the increase in training activities since 1983 has been very large, with increases of up to 50% in Ireland, the Netherlands and the UK. Whether this constitutes a long-term trend which will persist throughout the 1990s is not yet clear. In the past, labour market training — and, particularly, training within the enterprise — has often fallen with downturns in the business cycle. This contrasts with the Swedish practice under which contributions are raised from employers in growth periods to finance training during recessions.

147 Representation of social groups in adult training compared to share of labour force in the Member States

1989



The training undertaken in the Community is provided primarily for adults who are in employment and who are not likely to lose their jobs in the near future. On average, persons without a job make up only 14% of all participants in employment-related training. These proportions vary somewhat between countries, however. In Spain, France and Italy, the proportion of unemployed people among training participants is well above the Community average. In Belgium, Denmark, Ireland, the UK and Portugal it is well below that average (Graph 145).

While the unemployed may account for only a small share of adult training participants, they are more likely to receive labour market training than adults who are employed. On average, 10% of all unemployed adults in the Community were being trained in the Spring of 1989, compared to about 5% of employed adults. In some Member States, a relatively large proportion of the unemployed receive training. This is particularly the case in the Netherlands (almost 30%), Denmark and Germany (15 to 20%). In other countries like Greece, Belgium, Ireland and Portugal, only a small portion of unemployed adults — less than 5% — are trained for re-employment (Graph 146).

In practically all Member States, the majority of adult training (ranging from 50 to 85%) is provided for people who had previously undergone some initial vocational training and who are now improving or extending the skills and qualifications already acquired. This is particularly the case in Denmark and Ireland.

A smaller part of training in the Community (up to 25%) goes to adults who had some previous vocational training but who now receive training in an area different from their original job or qualifications, with a view to changing their occupation or career. Only in Spain, France, Greece and Italy is a considerable part of training (15 to 40%) received by adults without previous training or work experience.

As regards the places where training takes place, about 20% of adult training occurs within the enterprise where the participants are employed. This includes on-the-job as well as other forms of in-house training. The rest is provided exter-

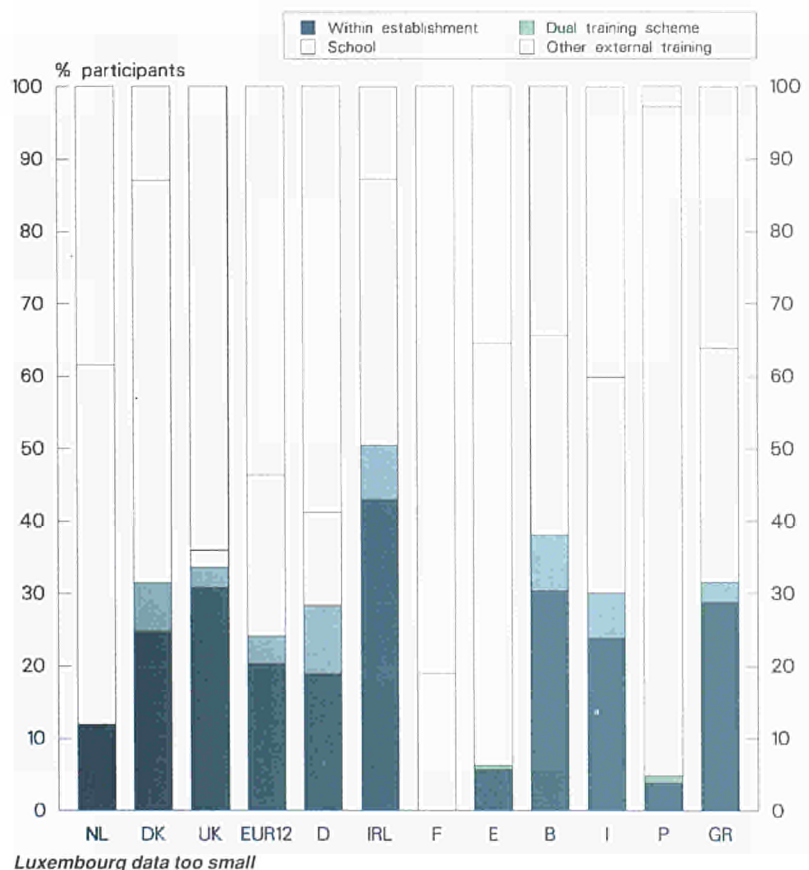
nally — for example, in vocational training schools and special training centres, or through employment-related correspondence courses with open universities and the like. With respect to the location of the adult training, Ireland, the UK, Belgium, Greece and Denmark report the highest shares of internal training, with Spain and Portugal recording the lowest (Graph 148).

Since comparative statistics about the funding of labour market training are not available (with the exception of public spending, see below), little can be said about the distribution of training costs between firms, individuals and public

authorities. Financing patterns cannot easily be deduced since it is not always the firms who pay for internal training — Governments may fund or subsidise such training, for example. Equally, firms may decide to 'buy' training for their employees from other private or public institutions.

In most Member States, the degree to which people with labour market problems (the disadvantaged group in Graph 147, which comprises holders of temporary or insecure jobs, part-time jobs of less than 15 hours a week, long-term unemployed and non-EC foreigners) participate in training is roughly equal to their representation in the labour force.

148 Participants in adult labour market training by type of training in the Member States 1989



The same is true for women as compared with men. Workers over 40 years are, however, under-represented among training participants in all Member States (Graph 147).

The training of employed adults is much more common in the service sector than in manufacturing, and particularly extensive in business and public services (Graph 149). Training in the business services is especially common in Member States where employment in these services is less developed. Training thus seems to be seen as a first step toward the further expansion of employment and activity in such sectors.

Other Actions

Training by enterprises may be undertaken on an individual basis

or in partnership with other firms or with training providers.

Firms may undertake to link their business, human resources and training plans into an integrated strategy. This is essentially a short-term solution and would involve such elements as: on the job training, changing recruitment practices and areas, flexible working practices, pay relativities, and short training courses.

On longer-term basis, firms may enter into partnerships with training providers in order to improve the relevance of the training provided. An example of this is the “Cooperative Education Programme” in Ireland which involves cooperation between the universities and students to build a bridge between higher education and the labour market.

Training providers need to contribute technical expertise, in particular through the design of training programmes to ensure an emphasis on modern technologies and on integrated studies. In addition, they will need to provide the impetus behind the development of strategic links with employers at individual and regional level.

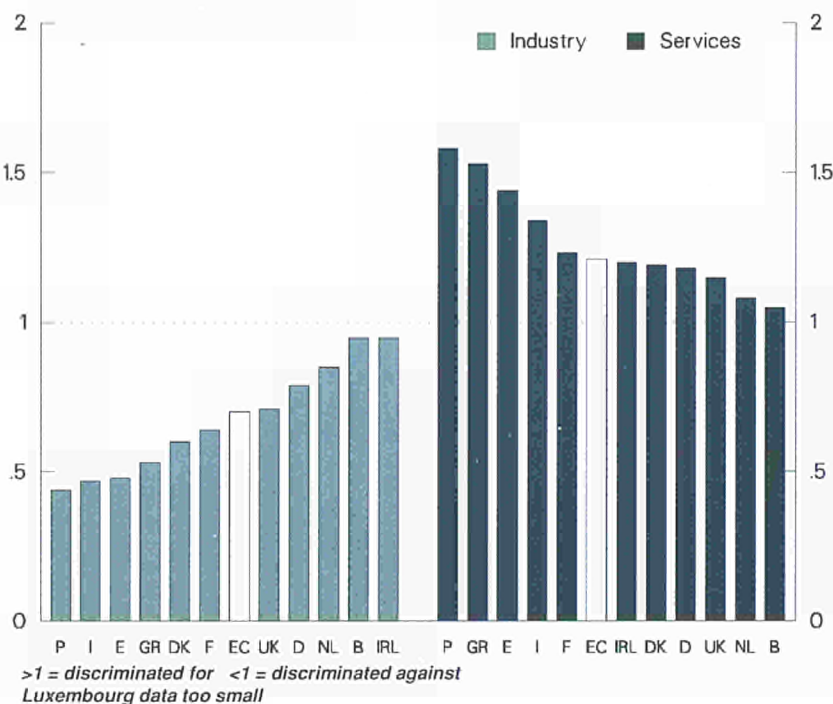
The public authorities will nevertheless have an indirect role. As well as financial support for training of employed and unemployed people, they can provide financial, administrative and legal support for training development and training standards. They also have the means for making available information on skill requirements and training provision.

Training Roles and Policies

A variety of factors can be used to explain the general pattern and trends regarding adult labour market training. However, other factors are needed to explain differences between Member States such as the meaning of training in different national contexts, the stage of economic development, the vocational training system for young people, the regulatory or subsidy systems, and policy strategies.

For example, since individual respondents in the Labour Force Survey define their own training status, they are likely to be influenced by their own definition of training — which may tend to differ from one country to another. For example, while basic instruction in handling new equipment may be regarded as ‘in company’ training in one context, only formal training courses may be counted in another.

149 Representation of workers in industry and services in adult training compared to share of total employment in the Member States 1989



Recent studies have indicated that such differences may have resulted in an overestimate of the scale of training activities in countries with less formalised training standards, such as the UK, and an underestimate for countries with more formalised standards and reporting systems, such as France. The magnitude of such distortions is difficult to judge, however.

In general, the level of adult labour market training activities tends to be higher in Member States where economic productivity is above the Community average, and lower in countries with lower economic productivity. This seems to correspond with ideas of virtuous and vicious circles of economic development. In a virtuous circle, extensive and high-quality training bring about process and product innovation and higher profitability of production. Profitability funds additional training and other investment into 'human resources' which, in turn, improve economic performance.

In a vicious circle, on the other hand, firms with low skill and training levels neglect innovation and product development and compete on low quality and low value-added products. They suffer low profitability and hence a lack of resources for training and human investment.

In both circles, it is difficult to differentiate causes and effects and to determine whether high or low economic performance have initially determined the level of skills and training, or vice-versa. In any case, the strong relationship between training activities and economic performance in the Community Member States suggests that such circles do not only affect individual firms, but also economies as a whole. If this is true, it is important to know how to break the

Data on Adult Training in the Community

In Spring each year, the Statistical Office of the European Communities (EUROSTAT), in collaboration with the statistical services of the Member States, conducts a Labour Force Survey in a sample of approximately 600,000 households throughout the Community. This inquiry is based on a common set of definitions and coding schemes for all Member States and is designed to provide comparable data on the labour market for the Community as a whole.

In the Labour Force Survey, all respondents between 14 and 49 years of age are regularly asked whether they have been in employment-related training during the four weeks before the interview. People who have been receiving training are asked to report on the type and purpose of such training (but not on its duration or funding). The survey thus provides some information for the comparison of labour market training in the Community Member States.

Participants in adult labour market training are placed in two groups:

1. people aged between 25 and 49 years who are members of the labour force (employed or unemployed) and who have been receiving any kind of employment-related training (i.e., training which is relevant for the actual or possible future job of the respondent) during the last four weeks before the interview;
2. people of the same age group who do not belong to the labour force (neither employed nor unemployed) but who have been participating in some kind of employment-related training outside a school or university during the last four weeks before the interview.

The second group accounts for around 7% of all participants in adult training. It has been included in the calculations in this chapter in order not to neglect participants in public labour market training schemes who, while they are out of work, are often not counted as employed or unemployed (for example, in Germany). Apprentices participating in a dual system of basic vocational training, and persons in general education or merely recreational courses, are excluded from both groups.

Where a distinction is made between training participants who are in and out of work, the second group is included among the unemployed participants in the calculations used. In some countries (for example, the UK), participants in Government training programmes who do not have regular employment may still be counted among the employed by the Labour Force Survey. Thus, distinctions between training participants according to their employment status may not be totally comparable across all Member States.

causal chain of the vicious circle in order to promote better economic performance in the weaker economies.

Although adult training participation in the Federal Republic of Germany is recorded as one of the highest in the Community, it is, nevertheless, somewhat lower than popularly believed. This reflects the importance of basic vocational training systems for young people relative to adult training activities. In Germany, the so called 'dual system' of initial vocational training — which combines practical experience with theoretical instruction — provides a broad range of skills for most school leavers and ensures their early integration into the labour market.

In effect this reduces the need for much training later in working life

compared with countries like the UK where many young people have, in the past, entered the labour market without such broadly based vocational training.

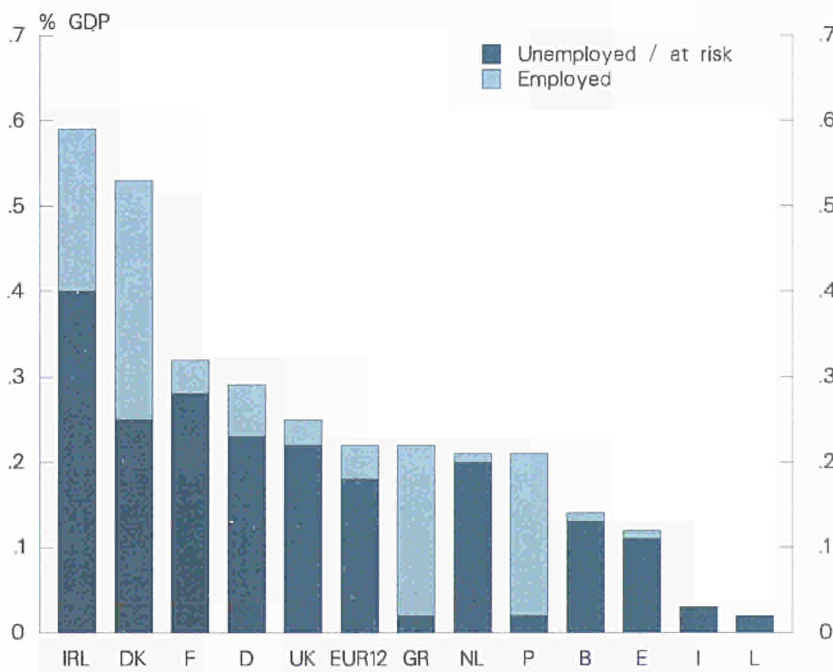
National differences in adult training activity also reflect differences in regulatory and subsidy systems between countries. In most Member States, there is little government regulation of training for employed adults. Collective bargaining has filled some of the gap left by public authorities in some countries, and is the vehicle for administering training in a number of other cases, but it has left a great deal of scope for action by individual employers and employees. Among Community Member States, France is the country where Government regulations for the training of employed adults are long established and widely developed. Under a 1971 law, all French firms with more

than ten employees are required to commit a part of their wage bill (currently 1.2%) to further training, either by spending it directly for their own employees or through mutual training funds established on a sectoral or regional basis. Where firms fall short of the required training expenditure, the deficit is collected by the State in the form of a training tax.

Ireland has a similar compulsory levy/grant scheme covering certain industries, including most of manufacturing. It requires enterprises to spend between 1% and 1.25% of their payroll either for training or for paying levies, which are collected by the labour market authority and spent on the promotion of enterprise training. The UK also had such a scheme to promote basic vocational training in the early 1970s, but it was later abolished.

Evaluations of the French system show that the average training expenditure of firms is considerably larger than the legal minimum. However, there are exceptions — small and medium-sized enterprises in general, as well as firms in sectors with high labour mobility (consumer-goods industries, construction, wholesale and retail trades, hotels and restaurants) spend hardly any more than the minimum requirement. In these cases, it is considered that the legal obligation minimum has raised the level of training activities beyond what firms would have done anyway. However, the legal requirements have not apparently been able to bring about a basic change of management style in those firms and sectors which have traditionally neglected training and relied on the external labour market, high mobility, and a young, little-trained workforce.

150 Public expenditure on labour market training in relation to GDP in the Member States 1988/89



Adult training is regulated through collective bargaining in a number of countries, particularly in the Netherlands, Germany and France. In the Netherlands and France, a wide variety of sectoral training funds have been set up by collective agreement, administered jointly by trade unions and employers associations. These funds are usually provided from levies on enterprises. They are particularly designed to provide training for small and medium-sized firms on a larger scale than the individual firms would be able to provide. The high participation of Dutch employees in labour market training can, at least to some extent, be attributed to this system.

Targeting of public funds

In most Member States, public expenditure is used very little to promote labour market training for adults already in employment, with most of the funding being provided privately. Public funds for adult training are primarily directed at the unemployed or at people with a high risk of losing their job (Graph 150).

By the end of the 1980s, public expenditure on adult training in the Community had risen to around 0.2% of GDP, with more than four-fifths allotted to the training of unemployed adults.

The level of expenditure varies widely, however, between Member States, ranging from less than 0.1% of GDP in Italy and Luxembourg to about 0.3% of GDP in France and Germany and more than 0.5% of GDP in Ireland and Denmark (although in Ireland the high level of expenditure reflects the large numbers unemployed rather than high spending per unemployed person as in Denmark). The preference for using public spending for training

the unemployed is not uniform across the Member States. Denmark, Greece and Portugal spend most of their adult training budgets on employed adults, and Ireland is not far behind.

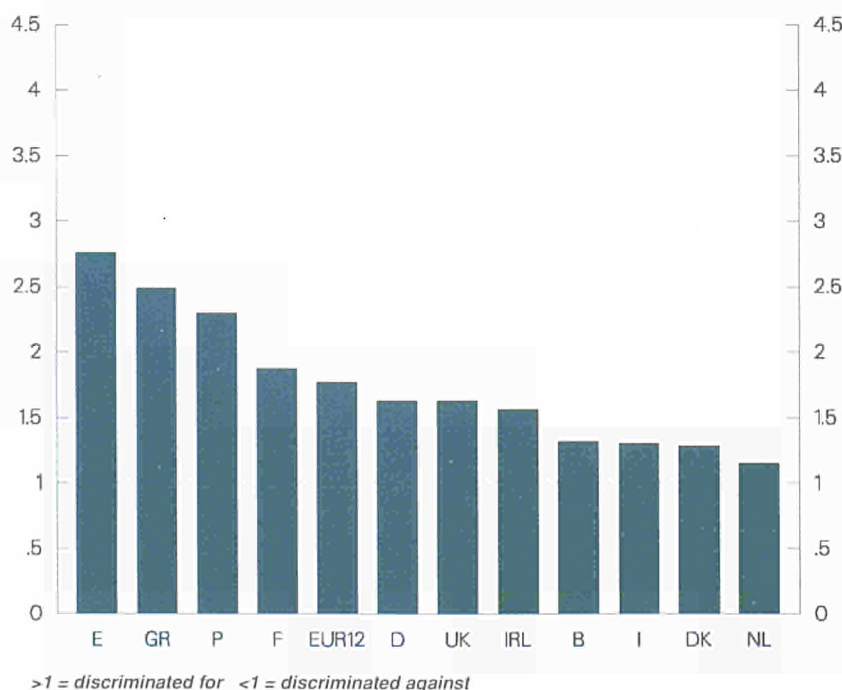
Denmark stands out as having a long tradition of promoting and subsidising the further training of employed adults, in particular unskilled and semi-skilled workers. Each year, Danish employers release a considerable proportion of their least-skilled employees for such training, which usually takes place in schools managed by trade unions and employers' associations. Most funds for subsidising this type of training are provided by special levies from employers and employees and not from general government revenue. The Danish system of promoting adult training is thus similar to other countries

where subsidies are provided from specific funds governed by collective agreements.

The fact that Denmark and Ireland spend a large proportion of public funds on training employed adults, and that both countries have high training participation rates, suggests that public incentives have encouraged training of employed adults. Other countries — in particular those with regulations governed by collective bargaining like the Netherlands, Germany and France — have, however, reached similar levels of training activity among the employed.

In comparison, public funds for training the unemployed (which tend to cover most of the overall training costs for this group of persons) have a much clearer stimulating effect. In those Member

151 Representation of workers in public services in adult training compared to share of total employment in the Member States 1989



States that spend a relatively large proportion of public funds on training unemployed adults (like France, Denmark, Germany, the Netherlands) unemployed adults are much more likely to receive training or retraining than in other countries.

In effect, there are two approaches to adult labour market training. The first is a compensatory and remedial one — training the unemployed and other disadvantaged groups on the labour market. The second is more preventive — aimed at upgrading skill levels in the workforce as a whole.

In practice training policies in the individual Member States tend to focus on one or other of the two approaches. On the one hand, there are countries like Spain, Greece and, to a lesser degree, Germany, which follow a more compensatory approach by focusing on the training of unemployed adults and disadvantaged groups and by making extensive use of training in the public sector (Graph 151).

On the other hand, countries like Denmark and, partly, the Netherlands, Belgium and Ireland, follow a more preventive approach to the problem of skill shortages, showing a preference for training employed adults, non-disadvantaged groups, older or middle-aged workers (whose skills become increasingly important in an ageing workforce) and training in the private sector.

So far, hardly any Member State has succeeded in combining the two perspectives — promoting both the general improvement of skill levels in the workforce and the integration of the unemployed through training and retraining. Denmark and the Netherlands, which train a large proportion of

the unemployed in spite of their generally more preventive approach, come closest.

Difficulties in Responding to Skill Shortages

While there is widespread recognition that the Community suffers from inadequate labour force skills, and that these are related to weaknesses in its training and education systems, it is much less clear what should be done, how change should be achieved and organised, and who should pay for any new or additional efforts.

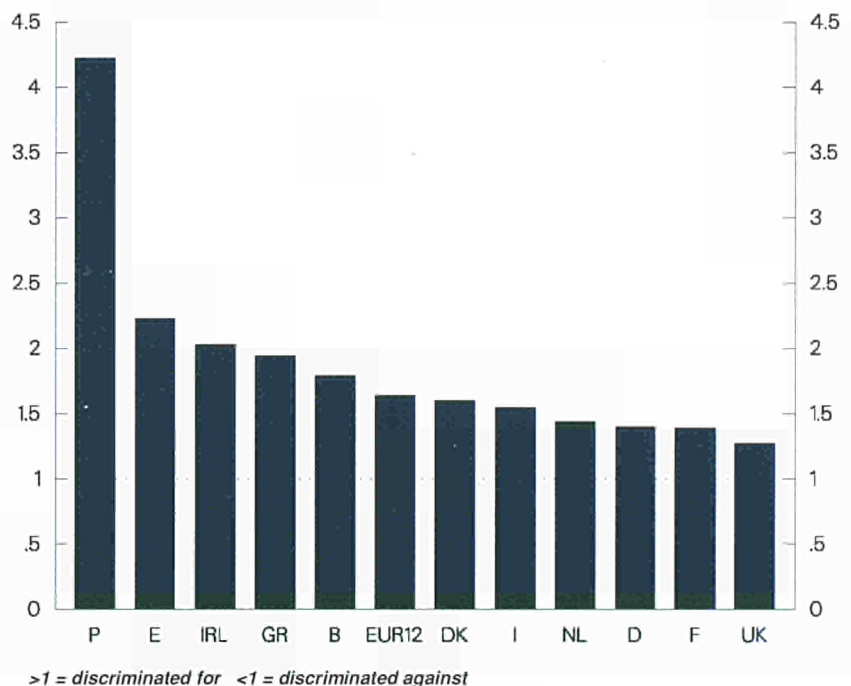
Moreover, it must be recognised that the apparent market failures of education and training systems have several explanations. Unless

these are understood and where possible corrected, there is a danger of seeking to reorientate education and training on the basis of inaccurate or ill-conceived deductions from the evidence of labour shortages.

Market signals are not at all clear. Changes in skill requirement show up as shortages, or surpluses, of people of different kinds rather than shifts in the level of wages or incomes. In the long-run there may well be some effect on relative incomes of different professional or occupational groups, but in the short-run there are few indications to potential new entrants to a skill area or profession concerning the long-term prospects.

Changes in the qualifications of the people coming out of the educational system are likely to be slow for a number of reasons. Education

152 Representation of workers in business services in adult training compared to share of total employment in the Member States 1989



involves political, social and cultural considerations not just economic ones. Educational systems are also inflexible since the capacity to educate in certain subjects today depends on having made the investment in the training and education of teachers in the past. Moreover, reforming the education process is long and costly, and educators are generally reluctant to make changes without clear and convincing evidence of need.

Even if there were perfect knowledge of the needs of employers, and even with an education/training system willing and able to adapt the supply of training or educational provision to meet such demands, there is no guarantee that people entering education or training will behave in the way that employers or educationalists desire.

More and better information about past trends, current market situation, and possible future developments in relation to different categories of job would

undoubtedly be useful and welcomed by job seekers. However, individuals may still wish to be educated or trained for jobs which are in short supply in the belief that they will get one of the scarce jobs against the competition — there is rarely a shortage of supply of aspiring actors and actresses despite the well-publicised statistics about the limited work opportunities.

Despite these difficulties, there is clear evidence of a growing determination on the part of firms to face up to the immediate skill problems and, in many cases, to get more closely involved with governments in regard to both education and training systems. Such moves are not limited to the Community. Similar initiatives are being taken in the United States on a partnership basis. All this reflects, perhaps, the way in which skill shortages are becoming a global phenomenon as the rate of technological advancement outstrips the rate at which labour force skills and educational provisions can be updated.

Action To Promote The Employment Of Women

Women's employment opportunities are affected by attitudes as well as demographic and economic factors. The Third Action Programme on Equal Opportunities for Women and Men emphasises the need to achieve full participation of women in the labour market.

Introduction

Action in support of Equal Opportunities for Women is long-established in the European Community. The principle of Equal Opportunity is enshrined in the Treaty of Rome — Article 119— and its implementation has been an area in which the Community has played a dynamic and innovative role. Equal Opportunities policy has been implemented by the development of an important body of legislation on equality supported through a series of action programmes and other activities over the past three decades. In October 1990, the pursuit of Equal Opportunities received a fresh impulse from the Community level when the European Commission adopted its Third Action Programme which puts particular emphasis on achieving the full participation of women in the labour market.

The content of this new programme reflects new preoccupations, and new challenges as the Community enters a further period of change. Attitudes of women towards employment are evolving at the same time as extensive demographic and economic changes are taking place which affect their employment possibilities.

The new programme seeks to build on the achievements so far, but to strengthen them through a more rigorous application of existing legislation, through the promotion of occupational integration and by improving the status of women in society.

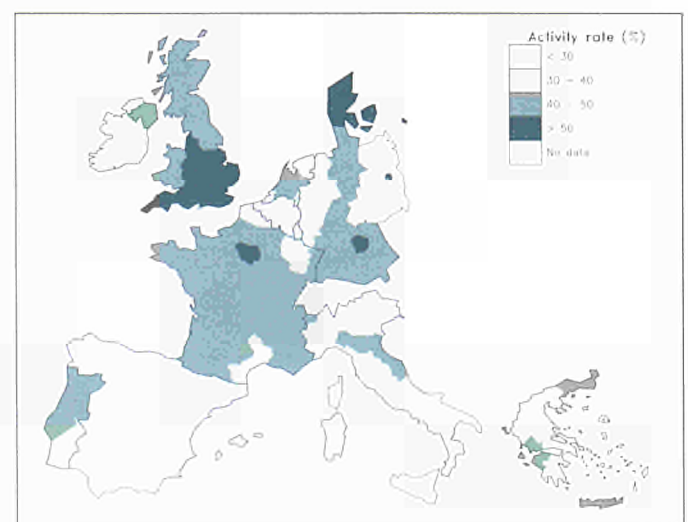
Women in the Labour Market

Throughout the 1980s, women played an increasingly important role in the labour market of the Community.

During the period 1985–89, employment of women grew by 9% compared to 4% for men. Of the 10 million new jobs created in that period, nearly 6 million were taken by women (See Chapter 1).

Overall, women make up 51% of the Community's population and 40% of its labour force. The employment rate of women, however, that is to say, the share of the female working-age population which is employed, is only 47%. This contrasts sharply with that of men which is 75%. Part of this difference can be attributed to the discouragement of women from looking for work, either because they cannot find an appropriate and acceptable job or because of obstacles to access to the labour market.

153 Activity rates of women 1989



Existing Community Directives

1. Council Directive of 10 February 1975 on the approximation of the laws of the Member States relating to the application of the principle of equal pay for work of equal value for women and men.
2. Council Directive of 9 February 1976 on the implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions.
3. Council Directive of 19 December 1978 on the progressive implementation of the principle of equal treatment for men and women in matters of social security.
4. Council Directive of 24 July 1986 on the implementation of the principle of equal treatment for men and women in occupational social security schemes.
5. Council Directive of 11 December 1986 on the application of the principle of equal treatment between men and women engaged in an activity, including agriculture, in a self-employed capacity, and on the protection of self-employed women during pregnancy and motherhood.

Proposals for Directives

Amended proposal for a Council Directive submitted on 15 November 1984 on parental leave and leave for family reasons.

Amended proposal for a Council Directive submitted on 5 January 1983 on voluntary part-time work.

Proposal for a Council Directive submitted on 27 October 1987 completing the implementation of the principle of equal treatment for men and women in statutory and occupational social security schemes.

Proposal for a Council Directive submitted on 27 May 1988 on the burden of proof in the area of equal pay and equal treatment for women and men.

Proposal for a Council Directive submitted in 1990 on the protection at work of pregnant women and women who have recently given birth.

The participation rate of women in the Community, i.e. the share of the female working-age population in the labour force is just over 50%. This includes those who are unemployed and actively searching for work as well as those who are employed, but not those who are counted as inactive but could be considered as part of the potential labour supply since they would like to work if jobs were available and access to them easier.

This participation is, however, very uneven across the Community. In many parts of the UK, in Denmark as a whole, the Paris region of France, and in parts of Germany it is well over 50%, reaching equivalent levels to that of men. Across much of the Community, however, it lies in the 30–40% range, and in some Southern areas, it is well below 30% (Map 153). This is much lower than in most other OECD countries.

While the employment of women grew faster than that of men in the period 1985–90, unemployment among women fell much less. In this period, male unemployment fell by almost 3 million, but women's unemployment fell by only 600,000 (see Chapter 3). In 1990, women's unemployment rates were still over 12% in most of Spain, Southern Italy, Ireland, and large parts of France, Belgium and Greece (Map 154).

Since then, unemployment among women, as among men, has been rising again. By June 1991, the rate of women's unemployment in the Community was over 11%, rising to over 23% in Spain, 18% in Ireland, 13% in Belgium and 12% in France. By contrast, it had fallen slightly to 6% in Germany and 9% in Portugal. The low rate of women's unemployment relative to men in the United Kingdom, where it was still only 7%, is influenced by the system of registering for unemployment (see Chapter 3 and *Employment in Europe 1990*, Chapter 6). Much therefore remains to be done.

The rate of participation of women in the labour market is determined by a large number of social as well as economic factors, but seems to be particularly affected by the number and type of jobs which are available to them, and the obstacles they face in taking up those jobs. Policies to promote the employment of women in the Community has been directed particularly at remedying the problems faced by women in finding jobs appropriate to their needs and capabilities, and at reducing the barriers which prevent women from working and which undermine their entitlement to equal treatment.

The analysis of the issues relating to the type of jobs for women were presented in *Employment in Europe 1989*, Chapter 7 “Women’s Employment” and those relating to access in *Employment in Europe 1990*, Chapter 6 “Employment for Women — Is Access to Jobs Easier or Not?”.

Thus, despite this growth in the employment of women, in most Member States, many women fail to get into the labour market and there are many more who constitute, in effect, an unutilised potential supply of labour. Moreover, numerous barriers remain to women having access to employment on equal terms with men. Women occupy a large proportion of low-skilled and insecure jobs; most part-time jobs are filled by women rather than men; and unemployment — particularly long-term unemployment — is disproportionately higher among women than among men (see Chapter 3).

Earlier Community Action

Community action on Equal Opportunities dates back to the early 1960s, building on Article 119 of the Treaty. Further action got under way in 1974 with the Council Resolution on a Social Action Programme. The Resolution expressed a will to move forward in the achievement of equality in access to employment for women, in training and conditions of employment.

The implementation of this Council Resolution generated a Memorandum in 1975 which was, in effect, a programme to improve the situation of women. It included three Directives concerning equal pay for work of equal value, access to employment, training, equal working conditions and social security (see Box on Community Directives).

Following a Council Decision in 1977, the European Social Fund joined the action, and began funding training measures to desegregate women’s employment, and to provide training for women in jobs where they were traditionally under-represented. This developed progressively such that, by 1988, women accounted for nearly 40% of all beneficiaries of European Social Fund grants in the Community as a whole, with similar shares across most Member States (Graph 156).

The Directives focused attention in the Member States on the relationship between legislation — with enforcement procedures and sanctions on the one hand — and the economic and social position of women on the other. Legal interpretation was, indeed, already an issue

since, four years earlier, in 1971, the European Court of Justice had ruled in a case brought by an employee of Sabena that the concept of equal pay as defined in Article 119 of the Treaty, did not include social security schemes.

Debate over the implementation of the Directives took place throughout the Community institutions. In 1979, an ad hoc committee to examine the question of women’s rights was set up by the European Parliament, leading to the establishment in July 1984 of a Standing Committee on Women’s Rights with a mandate both to monitor the implementation of the Directives already in force in the field of equal opportunities and to analyse and investigate other areas of relevance to women: education, employment, vocational training, the new technologies and women migrants.

In the late 1970s and early 1980s, there was increasing activity and cooperation between the various groups concerned with equality issues. For example, the European Trade Union Confederation produced a Programme for the Attainment of Equal Rights and Opportunities for Women in 1979.

In 1981 the European Commission formed an Advisory Committee on Equal Opportunities between Women and Men. This Committee includes representatives of the Member States and its task is to facilitate cooperation between the Commission and the Member States.

Equality in Law

Community law is the basis and starting point of Community action in the field of equal opportunities as an autonomous legal system with its own institutions. Developments in European Community law have provided the impetus and the legal foundation for extensive changes in attitude, in labour market practices and in the development of individual women’s rights in areas such as social security. Tens of thousands of women in Europe have benefitted financially, and socially, from the vigorous application and interpretation of Community Directives in their own countries.

Community law takes precedence over national law. The European Community could not function if Member States could disregard it and call the Treaties into question.

The monitoring of laws and regulations and rules by the Commission is part of the process of protecting or

Action to combat Unemployment among Women

In the course of the first Action Programme, a Council Resolution on action to combat unemployment amongst women was passed in 1984. The resolution contained seventeen different types of measures which could act as guidelines to improve employment for women. These included the development of infrastructures for women; the training of employment agency staff in equality issues; the promotion of business creation for women; stimulating the promotion of women in the public sector; and more accurate identification of unemployment trends amongst women.

The Unemployment Resolution and the Positive Action Recommendation reinforced the importance of employment in the Commission's approach to Equal Opportunities policies. In the Recommendation, Member States are requested to adopt a positive action policy which aims to eliminate existing inequalities affecting the working life of women and to promote a better balance between the sexes in employment and to provide a whole range of actions for the introduction and extension of appropriate measures.

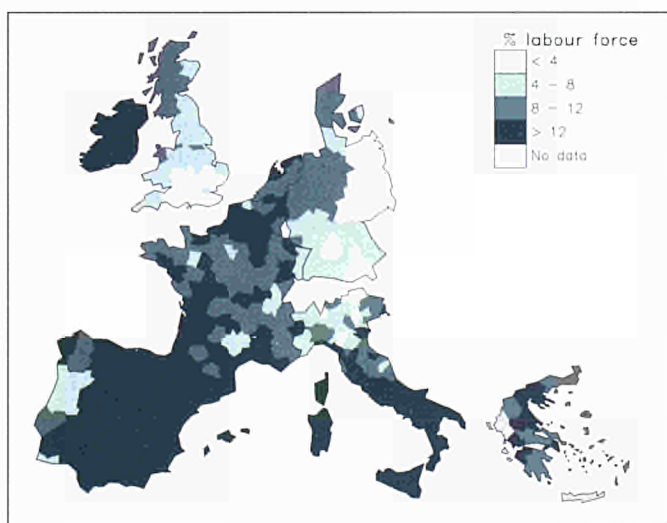
guarding the Treaties. Individuals and agencies contribute to the monitoring process via the Commission's networks of national experts, who monitor the application of laws in their own Member States and, in so doing, contribute to protecting Community law.

Only one article of the Treaty, Article 119, refers to women specifically, and in their capacity as workers. However, it follows from Article 5 of the Treaty that Member States must make it possible for individuals to enforce rights conferred on them by Community law. This procedure is crucial to the enforcement of Community law.

Directives are a source of Community law (see Box) and are one of the means by which equal rights for women and men are achieved. The examination of the application of Directives, the procedures and sanctions to enforce the application of Directives and the consultation process to prepare new Directives are an integral and on-going part of equality policy in the Community and its institutions with direct and indirect impacts on employment and the labour market.

The Court of Justice of the European Communities in Luxembourg has the task of interpreting Community law to ensure that it is applied in a uniform way, and that no national court has contravened its interpretation. The Court therefore defines Community law, and its rulings are binding on national courts. The European Court of Justice has given some 50 judgements on equality issues, dealing with the subjects of pay, employment and social security. This constitutes a substantial body of case law.

154 Unemployment rates of women 1990



The First and Second Action Programmes

The Commission's first Equal Opportunities action plan was launched in 1982. It covered the period 1982-1986 and it formed the basis of a Council Resolution which provided the guidelines for Member State action. The Action Programme was put into operation in a newly formed Service for Questions Concerning Women's Employment and Equal Opportunities Policy.

The first Action Programme aimed to consolidate the new Directives and improve the rights of individual women workers, through the preparation of additional provisions in the fields of social security, family leave, protective legislation and by the application of the prin-

principle of equal treatment to women in self-employment and agriculture.

Networks were established on the application of equality directives, on employment questions and the promotion of women. The working groups or networks were composed of independent experts advising the Commission. Like the Advisory Committee on Equal Opportunities, formed in 1981, they provided a link between the Commission and equal opportunities policies on the ground.

To promote the creation of enterprises and job-creation by women, a European community Support Programme for Women's Local Employment Initiatives (LEI) was set up in 1984 (see Box).

The Second Action Programme on Equal Opportunities for 1986-1990, covered seven fields of action: the law, education and training, employment, new technologies, social protection and social security, sharing of family and occupational responsibilities and increasing awareness.

During the Second Action Programme, two Directives were adopted by the Council on Equal Treatment in occupational social security schemes and in self-employment. Three other Directives on pregnant women, social security and the reversal of the burden of proof were proposed by the Commission but are still pending in the Council.

Positive Action

In 1984 a Council Recommendation was adopted on the promotion of positive action for women. Positive action or, as it is called in the US, affirmative action, is a simple concept which has proved difficult to implement in practice.

Positive action in employment policy involves regarding women as a distinct category of worker and affording them preferential or additional resources over men. Preferential treatment can take many forms: training programmes, advisory services to find jobs, studies to monitor promotion and grading systems in the workplace, more favourable treatment in recruitment and women-friendly job advertising. Adjusting collective bargaining to speed up the narrowing of the pay gap between women and men is another possible aspect.

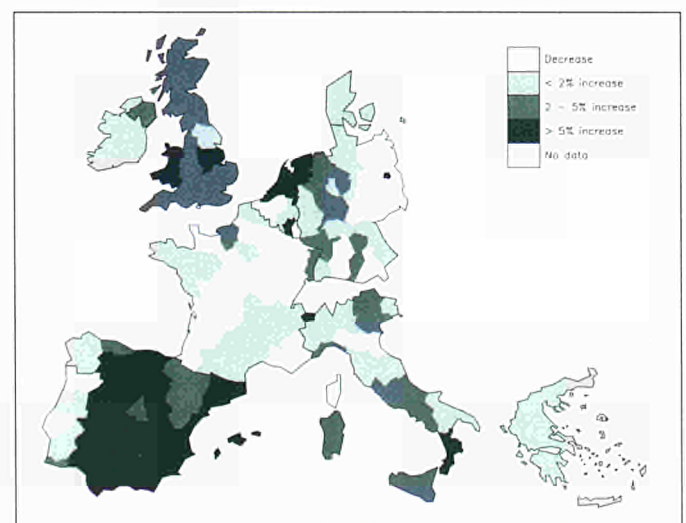
The Commission has promoted positive action in a number of ways; research studies; the establishment of

working parties on the promotion of women in the higher public service; the monitoring of experiments in positive action in branches of industry such as banking; the convening of networks of experts on specific subjects. The Commission has also favoured the development of separate training and employment programmes for women to reduce the gap between the position of women and men on the labour market.

While positive action is sometimes interpreted to mean action by a single employer to stimulate women to avail themselves of promotion opportunities in a workplace, its application has taken on a wider interpretation over the 1980s. Actions which discriminate positively in favour of women in a workplace or sector of employment are being formulated in the shape of 'equality plans' with their own objectives, time-scales and evaluation systems. This approach is reflected in the Community guide to positive action entitled Equal Opportunities for Women in Employment, published in 1988.

In 1988, the Commission also published a report on the implementation of the Council Recommendation on the promotion of positive action for women. It concluded that the implementation, and therefore the frameworks, for positive action had differed widely between Member States. Some countries had concentrated on vocational training and/or employment measures, while others have provided financial resources for the promotion of positive action in public and private enterprises. Some had introduced legislation, others had more explicit policies or measures in favour of women

155 Change in activity rates of women
1985-89



NOW – New Opportunities for Women

The development of human resources and the promotion of employment to meet the challenges of a single market, forms the background to three Community initiatives announced by the Commission in August 1990. The New Opportunities for Women initiative or NOW, the EUROFORM initiative in new skills and qualifications and the HORIZON initiative for the handicapped and disadvantaged are a three-pronged complement to the Community Support Frameworks which are being supported through the Structural Funds. The European Social Fund, with the participation of the European Regional Fund, in partnership with the Member States, will provide a concentration of resources directed to vulnerable groups on the labour markets in less developed regions. The budget of the NOW initiative is 120 million ECU.

The measures which are eligible for aid under the NOW initiative, and which came into operation in July 1991, are threefold. The first group of measures concern the promotion of small businesses, self-employment and cooperatives by women. NOW will support vocational training for women to start their own business or cooperative especially those which contribute to the local economy, promote social infrastructures and are in less developed regions. Support for women seeking to become self-employed are included in NOW as well as support for women to use existing structures, such as advice centres and associations for small enterprises.

A second group of measures to be financed under NOW are actions in the field of labour market advisory and counselling services for women. Women intended to benefit from these actions are long-term unemployed, women re-entering the labour market who may be treated as long-term unemployed. These measures are designed to facilitate access by women to the national labour markets. A second part of this group of measures will be vocational training programmes. Preference is being given to those agreed by employers and training organisations for all the above categories of women as well as additional categories of women in Objective 1, 2 and 5b areas — those

women who are unemployed or in insecure employment.

A third set of measures for women are what are called complementary measures which support the above actions, primarily in Objective 1 regions. The principal complementary measure is support for child care facilities near companies or training centres, covering the operating costs of child care in vocational training centres and the vocational training of child care workers to improve their qualifications and working conditions. Technical assistance is also being given to implement the NOW initiative as well as to develop evaluation and networks.

Women have been identified in the NOW initiative as a social category whose position on the European labour market is particularly sensitive to the changes and restructuring occurring in the transition period to the completion of the Internal Market. The problem of long-term unemployment for women, the presence of so many women at the edges of the labour market outside of regular employment status, and the difficulties facing women seeking paid employment in the less developed regions, are just some of the specific themes being addressed by the NOW initiative.

NOW like HORIZON and EUROFORM takes the form of operational programmes and global grants which are identifiable within Objectives 1, 2, 3, 4 and 5b of the Structural Funds. The proposals of the Member States are being presented to the Commission in June 1991.

NOW, like the other two Community initiatives, is a transnational operation. While the initiatives will function as national operating programmes submitted by Member States, the components of each programme are intended to be based on transnational partnerships. This feature distinguishes NOW from other training and employment measures for women which are supported by the European Social Fund and the Member States.

as part of an overall equal opportunities, or labour market, policy.

The Third Action Programme 1990–1995

The Third Medium-Term Community Action Programme on Equal Opportunities for Women and Men got under way in January 1991 and will run until the end of 1994. A fundamental principle of this Programme is the need to continue and strengthen partnership and complementarity between all the 'equality partners', that is, between the Commission, the Member States, employers' and employees' representatives bodies, and local and regional authorities.

In addition to strengthening partnership, there are two other basic aims of the programme. These aims are, firstly, to consolidate Community achievements in the field of equality, to build on and profit from the experience achieved to date and, secondly, to develop new schemes to assist women in the field of vocational training and employment as an integral part of Community policies and programmes.

Clearly much progress has been made during the lifetime of the two previous equality action programmes. Equally clearly, much remains to be done. It is essential not only to capitalise on past achievements, but to develop new initiatives both to accelerate the rate of progress towards equality and to face up to the economic and social challenges of the present decade.

The Commission intends that the third programme will mark a new and dynamic stage in equal opportunities policy, by establishing a more integrated and a more comprehensive strategy of action. Improving the integration of women on the labour market is not only a quantitative objective, it is also a qualitative one, which should be seen as an essential part of Europe's strategy for economic and social cohesion. Equal opportunities policy can no longer be regarded as a specific, limited policy, but should form an integral part of the Community's economic, social and structural policies.

Three priority courses of action have been selected in the Third Action Programme:

- the application and development of the legal framework;

Community Level Views on Equal Opportunities

"Despite major efforts to change laws and attitudes concerning equality between the sexes, there is still a great deal of progress to be made where it is most needed, the labour market.

Most women are still isolated in traditionally female sectors, occupying poorly qualified and lower paid jobs."

European Parliament
Research and Documentation Papers
Luxembourg. March 1990. No 85836.

"The female workforce has some characteristics which make it more vulnerable in the labour market. As well as establishing favourable conditions for economic growth, it is important to identify these challenges and to find ways of resolving them."

UNICE representative
January 1990

"Because of the different aspects of the world of work, which concern women workers in particular, the ETUC's Women's Committee has prepared a list of demands to tackle the equality issues in the Single Market. European legislation regarding equal pay and equal opportunities has so far proved beneficial to women, and we will fight to keep it this way."

European Trade Union Confederation
representative
January 1990

"Women's contribution to economic activity has acquired an important dimension for the medium and long-term development of the Community. Given the demographic trends and the projected skilled labour shortfalls around the year 2000, women must no longer be regarded as a particular disadvantaged group, but as a potential pool of skills, indispensable for economic development."

Communication from the Commission
to the Member States. August 1990.
Brussels.

- the promotion of the occupational integration of women;
- the improvement of the status of women in society.

Significant developments are essential in each of these three fields if the Community is to witness visible and lasting progress in the achievement of equal opportunities between women and men over the next few years.

Application and development of the legal framework

As regards the legal framework, the Commission intends to ensure that existing Community law is more rigorously applied. It plans to do this, not only by using its powers under Articles 155 and 189 of the EEC Treaty, but also by ensuring the ongoing monitoring of the legislation through the existing networks, and by making more widely known — through conferences and seminars — to those who teach and apply the law, the important but complex advances achieved in Community law.

The Commission will also endeavour to develop guidelines on the criteria to be taken into account in order to ensure equal pay, and proposes to bring into the social dialogue the question of job classification and grading schemes.

In addition, the Commission will endeavour to bring forward work within the Council regarding the proposals for directives on :

- the burden of proof;
- parental leave;
- statutory and occupational social security schemes (to supplement Directive 86/378/EEC);
- the Directive on the protection at work of pregnant women and women who have given birth.

Finally, taking into account the Barber case (case 262/88) — which has considerably clarified the debate on the scope of Article 119 — the Commission will take an appropriate initiative.

Infringement proceedings, where appropriate, are important means towards achieving the objective of equal

treatment, but they are not enough. The achievement of the right of all to equal treatment requires there to be a better understanding of the implications of Community law, not only by employers, employees and trade unions, but also by those who administer the law.

Promoting the occupational integration of women

The greater emphasis on both the need to work and the desire to work on the part of many women, has brought into the debate not only the number of jobs filled by women, but also the quality of much of the work performed by women. The sort of jobs they do depends, in large part, on the access they have had to appropriate forms of vocational training. This training is an important issue in the Third Action Programme.

One of the main supports of this new priority emphasis is the Community Initiative programme (NOW) which, under the rules of the Structural Funds, provides funds to promote vocational training for women. This Programme — which is co-financed with the Member States and to which the Commission will contribute 120 million ECU — is significant in its own right. However, it is also the bridge between the Structural Funds and the Equal Opportunities Action Programme, underpinning the policy of ensuring that equal opportunities are an integral part of the Community's structural policies.

In addition to the NOW programme, and in keeping with the approaches designed to capitalise on achievements to date, the Commission plans to strengthen other measures in the fields of employment and vocational training. Besides continuing and reinforcing the measures already carried out, the Third Programme aims to develop new initiatives in a number of areas : positive action to ensure equal opportunities in firms; studies on particular issues which concern women; support for such studies in the Member States; action to facilitate child care in order to consolidate activities financed under the Community's initiative programme.

The full integration of women on the labour market requires substantial progress in the reconciliation of working life and family responsibilities. It requires that men — as well as women — should be able to benefit from the full range of measures to reconcile working and family life, on the one hand, and, on the other, to take a fair share in family responsibilities. Demographic trends will increase the burden on women. It also highlights that the reconciliation of working life and family

responsibilities has to be seen as a problem for society, and not just an individual, parental issue.

The Social Charter also calls for active measures towards this end. It is appropriate that public authorities and the social partners should be fully involved in their development. There is a growing realisation that the structures and organisation of work should be adjusted to take account of the needs of men, women and their families, both in the interest of the individuals concerned and in the interest of the efficient use of human resources.

The Commission will shortly propose a Recommendation on Childcare to the Council which will propose measures in four areas: the provision of care for children while parents are employed or in education or training; leave arrangements for employed parents; the environment, structure and organisation of the workplace; the sharing of family responsibilities arising from the care and upbringing of children between women and men. The Commission also intends to provide a guide to good practice to supplement the Recommendation as well as a Code of Good Conduct on the protection of pregnancy and maternity.

Sexual harassment is another issue which affects the quality of women's working lives. Since the Council adopted its Resolution on 29 May, 1990 on the protection of the dignity of women and men at work, the Commission has adopted a Regulation and a Code of Conduct on this issue. The latter aims to provide guidance on initiating and pursuing positive measures designed to create a climate at work in which women and men respect one another's integrity and will be based on examples of best practice in the Member States.

Improving the status of women in society

Experience has indicated that efforts to promote equality cannot be limited to employment alone. It is also necessary to improve the general status of women in society in order to be able to bring lasting progress and changes in attitudes. The Commission therefore intends to pursue the steps taken in respect of the media in order to improve the image of women and launch new initiatives to heighten awareness and to promote the active participation of women in the decision-making process at all levels of society.

Local Employment Initiatives for Women — Community Support

The European Community Support Programme for Women's Local Employment Initiatives was started in 1984. It encourages women to start up businesses and other local initiatives and to create employment. This special programme of Directorate General V of the Commission offers grants to women who want to start up a business and who are in a position to create at least two full-time jobs or their equivalent. For each job created, a Community grant of 1500 ECU is available up to a maximum of 5 jobs. The Programme is popular and only about 20% of applicants can be funded.

The businesses or enterprises for which women request support range from manufacturing, craft and tourism enterprises, through service operations in catering, cleaning, hairdressing, office services and graphic design. Innovative projects and projects employing disadvantaged women get priority. A network of experts throughout the Community publicises the Programme, explains the conditions of application and facilitates the completion of application forms. Selection takes place two or three times a year.

The programme has been particularly successful in reaching unemployed women. In 1988–89, of 1,200 beneficiaries surveyed, some 49% of recipients of Community grants under the Programme were unemployed or looking for work, 16% were in irregular jobs and a further 10% were homeworkers. In other words, 65% of beneficiaries were on the labour market but without work or in marginal employment.

Regionally the programme has focused on areas of high unemployment. Two out of every three projects grant-aided in 1988–89 were directed to projects located in priority regions as defined by Objectives 1 and 2 of the Structural Funds. An additional third of projects were in areas where women's unemployment rate exceeds 15%.

28% of jobs in the projects were part-time. The grants constitute an addition to resources mobilised by women entrepreneurs or self-employed women and their families. In Spain, France, Portugal and the UK the grants are often an addition to financial resources from Government Enterprise Schemes. In some countries, such as Spain, the Netherlands and Greece, personal savings and family gifts are often important supplementary sources of finance.

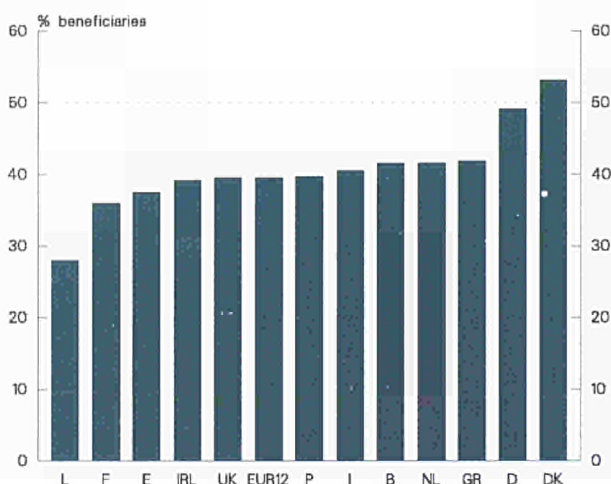
For the first time, an Equality Programme plans to integrate equality questions into general mainstream policy. In practice, this means that equal opportunities will need to be progressively integrated into the formulation and implementation of all relevant policies and action programmes. Particular attention will be given to programmes co-financed by the Social Fund and to existing programmes in the area of vocational training. Data will be collected on the participation of women in each programme, and evaluations used to determine future development of the programmes.

Although the Third Programme defines the general framework, the actual measures to be taken will depend on national circumstances and progress made to date. Of prime importance, therefore, are the initiatives of the Member States as contained within the Resolution, to adopt national, regional or local equality plans or other relevant policy measures as required, within the framework of the programme. Objectives should be pursued that match national circumstances and assessment reports should be drawn up so as to ensure the complementarity of measures between the Member States and the Commission in pursuit of the objectives of this programme.

Partnership

The success of the policy will depend on the establishment of the appropriate assessment systems and on basing the programme on a genuine policy of partner-

156 Share of women amongst beneficiaries of ESF grants in the Member States 1988



ship. The programme sets out the responsibilities of all the partners concerned: Commission, Member States, Social Partners. Complementary action by each of these partners is required if the programme is to meet its objectives. Furthermore, although the Third Programme lays down the general framework for action, the measures taken by each Member State will take into account the national context and the progress already achieved.

Evaluating Equality Policies

The European Community is unique in having united within the same group of institutions, a body of Community law and a set of labour market policies directed to the same objective of equality of opportunity between women and men. These policies are neither static nor rigid, and there is constant evaluation and analysis on their effectiveness.

Concern that the Commission's local employment initiative programme for women would reach only more educated and entrepreneurial women, for example, turned out to be misplaced. Evaluation of beneficiaries revealed that the highest take-up was in the poorer regions among women in disadvantaged circumstances.

In the same way, the widespread belief that childcare would gradually improve as more women entered the labour market was shown to be not true in research on childcare trends in Member States. The absence of childcare provision is a significant obstacle to women's access to jobs and training while the standard of provision was extremely variable and even unregulated in some Member States.

At a time when many Member States have to take careful stock of their budgetary situation, the demand for increasing resources to redress discrimination on the labour market may seem inopportune. However, with high proportions of new jobs being generated in the form of part-time employment for women, there would appear to be considerable underutilisation of women's intellectual, technical, creative and labour capacities. The completion of the Internal Market makes it more necessary than ever to mobilise the resources of women.

There is considerable convergence in the analysis of the European Commission and the European Parliament over patterns in women's employment. There is agreement that any tendency to retain two-track labour markets for women and men should be resisted. Not to

do so would be to undo the results of many of the efforts to desegregate employment for women. More needs to be done in terms of analysis. In this respect, for example, the absence of suitable data to make meaningful comparisons of the pay gap between women and men in the service sector (which employs over 70% of women) needs to be tackled.

There is now agreement that equality issues on the labour market are no longer minority issues. Women already account for 40% of the labour force, and the proportion is rising. This means that equality issues need to be taken on board by all those who are concerned with employment: employers, trade unions, public policy-makers at regional and national level, educational and training agencies as well as by commercial and industrial associations. It is up to them, collectively and individually, to face the challenge and responsibility of providing women with the same employment opportunities which are available to men.

Council Resolution on the Third Medium-term Action Programme on equal opportunities for women and men (1991–95)

The Council invites The Member States

to implement the relevant measures provided for in the Commission Communication on a Third Medium-term Community Action Programme on equal opportunities for women and men (1991–1995), in order to achieve the following objectives:

- ensure the implementation and, if necessary, improvement of existing legal provisions; raise the level of awareness about legal rights and obligations;
- increase the participation of women in the labour market by applying national laws and practices in an improved manner to women by developing specific measures for equal opportunities for women and men, and by promoting women's entrepreneurship and local employment initiatives;
- improve the quality of women's employment by maximizing their potential, particularly through stepping up action relating to education, vocational training, better staff management and the use of positive action in enterprises;
- reduce barriers to women's access to, and participation in, employment, also through measures designed to reconcile the family and occupational responsibilities of both women and men;
- continue, and develop, awareness-raising initiatives which are related to the specific objectives of this programme, and improve and disseminate information on equal opportunity and equal treatment issues;
- continue to encourage an improvement in the participation of women at all levels in the media sector and to develop innovatory programmes which present a full realistic picture of women in society;
- encourage measures designed to promote the participation of women in the decision-making process in public, economic and social life.

The Council invites The Member States

- to adopt, as required, within the framework of this programme, national, regional or local equality plans

or other relevant policy measures establishing objectives that match national circumstances;

- to draw up assessment reports,

given that collaboration and complementarity of measures between Member States and the Commission are essential in order to achieve the objectives of this programme.

Invites both sides of industry to:

- make equal opportunities and equal treatment an element in collective bargaining, in particular by endeavouring to implement positive action programmes in undertakings and in occupational branches and sectors as part of a cohesive policy of staff management and to elicit a real commitment to in-service training and jobs for women;
- pursue and intensify the social dialogue on the issues of reconciling occupational and family responsibilities and protecting the dignity of women and men at work;
- include in collective bargaining the issues of equal remuneration (equal pay for equal work or work of equal value) and the elimination of discrimination on the basis of sex in job assessment and/or other classification;
- take all necessary measures actively to promote women's representation in decision-making bodies.

Invites the Commission to:

- ensure that the present programme is implemented and make interim and overall assessments (at mid-term and at the end of the period) of the policy on equal opportunities and equal treatment, on the basis of the information supplied by the Member States, taking into account all action carried out by the Commission and outlining the action carried out by the Member States;
- submit the results of these assessments to the European Parliament, the Council and the Economic and Social Committee;
- integrate the objective of equal opportunities and equal treatment into the formulation and implementation of the appropriate policies and action programmes and introduce specific means of coordination.

List of Graphs

1	Share of working-age population in employment in the Community and elsewhere	1965–90	19
2	Recent increase in unemployment and short-time working in the five new German Länder	1990/91	20
3	Unemployment rates in the five new German Länder.....	April 1991	20
4	Long-term trends in employment growth in the Community, USA and Japan	1970–90	22
5	Unemployment rates in the Community and elsewhere.....	1970–90	22
6	Unemployment rates.....	1990	23
7	Long-term unemployment rates	1989	23
8	Youth unemployment rates	1990	24
9	Changes in total employment of men and women in the Member States.....	1985–89	24
10	Changes in employment, unemployment, participation and working-age population by sex.....	1985–90	25
11	GDP and employment growth in the Member States	1985–89	26
12	Annual growth of GDP and GDP per employee in the Community	1965–90	27
13A	Annual growth of value-added and productivity in industry and services in the Community — Industry.....	1971–1989	28
13B	Annual growth of value-added and productivity in industry and services in the Community — Services.....	1971–1989	28
14	Annual average changes in GDP and productivity in the Member States.....	1973–79, 1979–84 and 1984–89	29
15	Annual average changes in value-added and productivity in industry in the Member States.....	1973–79, 1979–84 and 1984–89	29
16	Annual average changes in value-added and productivity in services in the Member States.....	1973–79, 1979–84, 1984–89	30
17	Real wages and productivity in the Community	1978–1989	30
18	Sectoral employment trends in the Community.....	1965–89	31
19	Sectoral distribution of employment in the Community and elsewhere.....	1965 and 1988	32
20	Sectoral distribution of employment in the Member States	1989	32

21	Contribution of economic activities to the net change in employment in the Community.....	1985–89.....	33
22	Employment in defence as a share of manufacturing employment.....	1988/89.....	34
23	Research and development expenditures as a share of GDP.....	1987.....	35
24	Employment in the motor vehicle industry in the Member States.....	1980 and 1987.....	35
25	Hours per vehicle production by nationality of owner and location of plant.....	1989.....	36
26	Employment in the textile sectors in the Member States.....	1980, 1987.....	37
27	Employment in the textile sectors in the Community.....	1976, 1980 and 1987.....	37
28	Changes in self-employment by sector in the Community.....	1979–89.....	38
29	Self-employment in the Member States.....	1979, 1986, 1989.....	39
30	Contribution of changes in part-time and full-time employment to net employment growth in the Community.....	1985–89.....	39
31	GDP.....	1989–1992.....	43
32	Investment.....	1989–1992.....	44
33	Consumption.....	1989–1992.....	44
34	Inflation.....	1989–1992.....	44
35	Trade balance.....	1989–1992.....	45
36	Employment.....	1989–1992.....	45
37	Unemployment.....	1989–1992.....	45
38	Activity breakdown of working-age population in the Community and elsewhere.....	1989.....	48
39	Change in unemployment rates in the Member States.....	1985–90.....	49
40	Unemployment rates of men and women.....	May 1991.....	49
41	Change in the unemployment rates of young people in the Member States.....	1985–90.....	50
42	Change in long-term unemployment rates in the Member States.....	1985–89.....	51
43	Change in the share of long-term unemployed in the Member States.....	1985–89.....	51
44	Women's share of unemployment.....	1983 and 1989.....	52
45	Share of unemployed registered at an employment exchange.....	1989.....	53
46	Share of unemployed receiving benefit.....	1989.....	54
47	Latent unemployment — People discouraged from seeking employment as a share of the potential labour force.....	1989.....	54
48	Share of unemployed men and women recorded as inactive before job search.....	1989.....	55

49	Share of unemployed who are unemployed because of the expiry of a temporary contract in the Member States	1989	56
50	Share of unemployed looking for part-time work	1989	56
51	Employment status of wives in relation to employment status of husbands in the Community	1989	57
52	Unemployment of women aged under 40 in relation to parental status.....	1989	58
53	GDP growth	1965–75, 1975–85, 1985–90	64
54	Growth of income per head	1965–75, 1975–85, 1985–90	64
55	Trend in average income per head	1965–1990	64
56	Trend in investment	1965–90	64
57	Income per head	1989	66
58	Change in income per head.....	1980–85	66
59	Change in income per head.....	1985–89	66
60	Income per head in Objective 1 regions and elsewhere	1980, 85, 89	66
61	Average labour costs of employees in the Member States	1980, 85, 88	68
62	Average wages of employees in the Member States — Agriculture and agricultural products.....	1980, 1985 and 1988	69
63	Average wages of employees in the Member States — Manufacturing	1980, 1985 and 1988	69
64	Average wages of employees in the Member States — Services	1980, 1985 and 1988	69
65	Average wages of employees in the Member States — All employees in PPS. 1980, 1985 and 1988	1980, 1985 and 1988	69
66	Employment growth in the developed and less developed Member States.....	1965–75, 1975–85, 1985–90	70
67	Unemployment rates in the developed and less developed Member States.....	1965–75, 1975–85, 1985–90	70
68	Distribution of working-age population (15–64).....	1989	71
69	Employment/working-age population ratios.....	1989	72
70	Employment/working-age population ratios in Objective 1 regions and elsewhere in the Community	1985 and 1989	72
71	Hidden labour supply	1989	73
72	Unemployment and hidden labour supply as a share of working-age population in the Community.....	1985 and 1989	73
73	Change in working-age population.....	1985–89	74
74	Changes in employment, unemployment, working-age population and participation in Objective 1 regions and elsewhere in the Community	1985–89	74

List of Graphs

75	Total employment change	1985–89.....	75
76	Change in employment by sector in Objective 1 regions and elsewhere in the Community.....	1985–89.....	75
77	Change in unemployment rates.....	1985–89.....	76
78	Change in hidden labour supply	1985–89.....	76
79	Female share of employment	1989.....	77
80	Female contribution to 1985–89 employment change.....	1985–89.....	78
81	Female employment change.....	1985–89.....	78
82	Part-time employment as a share of total employment	1989.....	79
83	Share of employment in agriculture.....	1989.....	80
84	Share of employment in industry	1989.....	80
85	Share of employment in services	1989.....	80
86	Sectoral distribution of employment in Objective 1 regions and elsewhere in the Community	1985 and 1989.....	80
87	Change in employment in agriculture.....	1985–89.....	81
88	Change in employment in industry	1985–89.....	82
89	Change in employment in services	1985–89.....	82
90	Dependency ratios	1989.....	83
91	Projected changes in working-age population.....	1990–2015.....	84
92	Share of immigrants in the total population of Member States	1989.....	85
93	Share of the population of the Member States now living elsewhere in the Community.....	1989.....	85
94	Age structure of the national and migrant population in the Community	1989.....	86
95	Sectoral distribution of national and migrant workers in the Community.....	1989.....	86
96	Inter-regional migration — Italy	1975–79, 1979–83, 1984–88.....	87
97	Inter-regional migration — Spain	1979–83, 1984–88.....	87
98	Inter-regional migration — Germany	1979–83, 1984–88.....	88
99	Inter-regional migration — United Kingdom	1979–83, 1984–88.....	88
100	Share of employment in agriculture in the Member States.....	1960, 1970 and 1989.....	89
101	Distribution of employment in agriculture	1989.....	91
102	Changes in employment of women in agriculture	1985–89.....	92
103	Proportion of agricultural employment filled by regular employees	1987.....	92

104	Proportion of workers aged over 55 in agriculture and other sectors in the Member States.....	1987	93
105	Age distribution of workers by sector in the Community	1989	93
106	Age distribution of holders in the Member States.....	1987	94
107	Proportion of agricultural holdings with a holder aged over 55 years	1987	94
108	Proportion of land area utilised for agriculture.....	1987	95
109	Proportion of agricultural holdings < 20 ha in size	1987	95
110	Average size of farms in the Member States	1979/80, 1983 and 1987	96
111	Average economic size of farms in the Member States	1979/80, 1983 and 1987	96
112	Average number of full-time workers per agricultural holding.....	1987	97
113	Labour intensity in agriculture — Average number of full-time workers per 100 ha of agricultural holding	1987	97
114	Distribution of agricultural land by type of use in the Member States	1987	98
115	Distribution of agricultural land by type of use in relation to the proportion of total area utilised for agriculture in the Member States	1987	98
116	Farmers with alternative employment in the Member States	1987	99
117	Economic size of farms in the Member States	1987	100
118	Growth of value-added in sectors of manufacturing in eight Member States (B, DK, D, E, F, I, NL, UK)	1980–87	107
119	Highest and lowest value-added growth sectors in manufacturing in eight Member States.....	1980–87	108
120	Changes in employment in sectors of manufacturing in the Community.....	1980–87	109
121	Share of manufacturing value-added in sectors of manufacturing in ten Member States.....	1987	110
122	Share of manufacturing employment in sectors of manufacturing in eleven Member States.....	1987	110
123	Share of employment in manufacturing — High-growth sectors	1987/88	111
124	Share of employment in manufacturing — Low-growth sectors	1987/88	111
125	Share of sectors of manufacturing in total employment — High-growth sectors.....	1987	111
126	Share of sectors of manufacturing in total employment — Low-growth sectors	1987	111
127	Productivity (value-added per employee) in sectors of manufacturing in ten Member States.....	1987	113
128	Share of Community value-added in sectors of manufacturing in the Member States.....	1987	114

129	Share of Community employment in sectors of manufacturing in the Member States.....	1987....	114
130	Changes in employment in sectors of manufacturing in ten Member States	1980–87....	115
131	Changes in value-added per employee in sectors of manufacturing in eight Member States	1980–87....	115
132	Changes in employment in high-growth sectors of manufacturing.....	1980/81–1987/88....	116
133	Changes in employment in low-growth sectors of manufacturing.....	1980/81–1987/88....	117
134	Average labour costs per employee in sectors of manufacturing in eleven Member States	1987....	118
135	Unit labour costs in sectors of manufacturing in ten Member States	1987....	118
136	Labour costs and productivity in sectors of manufacturing.....	1987....	119
137	Changes in average labour costs per employee in sectors of manufacturing in ten Member States.....	1980–87....	120
138	Changes in unit labour costs and productivity in sectors of manufacturing in eight Member States	1980–87....	121
139	Changes in labour costs and productivity in sectors of manufacturing	1980–87....	121
140	Capacity utilisation and recruitment difficulties in the Member States	1982, 1986, 1990....	127
141	Proportion of large and small companies reporting production difficulties due to recruitment difficulties in Germany.....	1982—1990....	128
142	Occupational trends.....	1983, 1988....	129
143	Share of 18–24 age group in higher education in the Member States.....	1970/71, 1980/81, 1986/87....	132
144	Share of 14–18 age group in education in the Member States	1983, 1986 and 1989....	132
145	Share of the labour force in adult labour market training in the Member States.....	1989....	133
146	Share of unemployed in adult labour market training in the Member States.....	1989....	134
147	Representation of social groups in adult training compared to share of labour force in the Member States	1989....	134
148	Participants in adult labour market training by type of training in the Member States	1989....	135
149	Representation of workers in industry and services in adult training compared to share of total employment in the Member States	1989....	136
150	Public expenditure on adult labour market training in relation to GDP in the Member States	1988/89....	138
151	Representation of workers in public services in adult training compared to share of total employment in the Member States.....	1989....	139

152	Representation of workers in business services in adult training compared to share of total employment in the Member States	1989 ... 140
153	Activity rates of women.....	1989 ... 143
154	Unemployment rates of women	1990 ... 146
155	Change in activity rates of women	1985–89 ... 147
156	Share of women amongst beneficiaries of ESF grants in the Member States.....	1988 ... 152

Sources and Methodology

The principal source of the historical data regarding the European Community used in this Report is the Statistical Office of the European Communities (Eurostat) and particularly the Labour Force Survey (LFS) for which the 1989 results have just become available. The LFS is used because it is the only source of comparable and complete data on employment and the labour market in all the Member States of the Community. Since it is based on a common coding and methodology, and since it is a household survey, it abstracts from differences in administrative arrangements and regulations. This is particularly true of unemployment, where the harmonised unemployment data based on the LFS as published by Eurostat are designed to permit comparisons between Member States, without needing to take account of the frequent changes in the coverage and definition of registered unemployment. It was carried out on a two-yearly basis between 1973 and 1981, and since 1983 has been carried out annually on the basis of the same coding.

Data from national administrative sources, which do not exist on a consistent basis over time and between Member States may therefore differ from the figures used in this Report.

Some additional material has been supplied by other Commission services.

Sources used for the individual maps and graphs are set out below. The short-term forecasts have been prepared by the Directorate-General for Economic and Financial Affairs on the same basis as those presented in the Annual Economic Report.

It is the Commission's intention that the data used in the preparation of *'Employment in Europe'* be made available in electronic form. Requests for data should indicate the particular graph or maps for which the data is required. Data can be supplied in standard spreadsheet format. Requests should be addressed to:

Commission of the European Communities
DG V/B/1
200 rue de la Loi
1049 Brussels
Belgium

Sources of Graphs and Maps

Eurostat

Community Labour Force Survey (LFS) and derived data: Graphs 9, 11, 20–21, 28–30, 42–52, 70, 72, 76, 86, 104–105, 143–149, 151–152

Social Statistics (SOCl), Population statistics and projections: Graphs 10, 18–19, 100

Unemployment Statistics: Graphs 2, 39–41, Map 3

National Accounts ESA: Graphs 13–17, 61–65

Migration Statistics: Graphs 92–95

Agricultural Statistics (FSSRS): Graphs 106, 110–111, 114–117

Industrial Statistics (INDE), Industrial Surveys and derived data: Graphs 24, 26–27, 118–122, 126–131, 134–139, Maps 123–125, 132–133

Regional Statistics (REGIO) from:

LFS: Graphs 70, 72, 74, 76, 86, 104–105, Maps 69, 71, 73, 75, 78–85, 87–89, 101–102, 153, 155

Unemployment: Maps 6–8, 77, 154

National Accounts ESA: Graph 60, Maps 57–59

Demography: Graphs 60, 90, 96–99, Map 68

FSSRS: Maps 103, 107–109, 112–113

Commission services

DGII — Economic and Financial Affairs: Graphs 4, 11–12, 17, 31–37, 53–56, 66–67, 140

DGV — Employment, Industrial Relations and Social Affairs — “17th Report on the Activities of the ESF” : Graph 156

DGIII — Internal Market and Industrial Affairs: Graphs 22–23, 25

DGXVI — Regional Policy: Map 91

Other Sources

Organisation for Economic Cooperation and Development OECD): Graphs 1, 5, 10, 19, 38, 100, 150

International Labour Organisation: Graph 142

IFO Institute, Munich: Graph 141

Other Material

Statistics and other quantitative estimates other than the above which have been used in certain chapters have generally been drawn from studies undertaken on behalf of the Commission. The following are the most important sources used:

Chapter 5: “The Agricultural Situation in the Community — 1990 Report”; “The Future of Rural Society”, Supplement 4/88 to the Bulletin of the European Communities.

Chapter 7: Mutual Information System on Employment Policies in Europe (MISEP); the calculations for Graphs 145–149 and 151–152 were carried out by the Wissenschaftszentrum Berlin

Notes

Unless where otherwise stated, data for Germany in this Report refers to the former Western part of Germany before 3 October 1990.

Chapter 1: Table 1 is produced from the following sources: Eurostat: National estimates of population and employment and Unemployment rates for comparison between Member States. 1990 results are provisional. 1965 data: OECD Labour Force Statistics 1968–88.

Chapter 4: Purchasing Power Standards as referred to in Graph 65, are a measure of GDP reflecting the real purchasing power of a currency on the national territory. They aim to provide a reliable indication of the volume and structure of goods and services intended for a particular final use, and permit comparisons in real terms of GDP and its components between Community countries. See “Purchasing Power Parities and GDP in real terms. Results 1985”, Eurostat 1985, and “National Accounts ESA. Aggregates”, Eurostat annually.

Chapter 6: Data for manufacturing are derived from the Eurostat surveys of industry. These may differ from administrative sources used in some Member States. The regional data, where available, cover a slightly different period (1981 to 1987/88) than the national level data (1980 to 1987) which affects the scale of change shown.

Chapter 7: Data for higher education are from Eurostat education statistics Data for 14–18 year-olds in education and for training are from the LFS. These may differ from administrative, or enrolment data, used, for example, by OECD. Data for education include only those receiving full-time tuition.

European Communities – Commission

Employment in Europe – 1991

Luxembourg: Office for Official Publications of the European Communities

1991 – 168 pp. – 21.0 x 29.7 cm

ISBN 92-826-2916-3

Catalogue number: CE-70-91-718-EN-C

Price (excluding VAT) in Luxembourg: ECU 11.25

ISSN 0254-1475

COM(91) 248 final

Documents

Catalogue number: CB-CO-91-350-EN-C

ISBN 92-77-74871-0

The 1991 Employment in Europe Report is the third of a series which is produced annually. It aims to reach a broad readership within the Member States, covering business, trade unions and interest groups as well as governments. It covers a wide range of issues in the employment field, considering the Community as a 'heterogeneous whole', placing the Community into its world context and discussing the policy implications of the analysis.

**Venta y suscripciones • Salg og abonnement • Verkauf und Abonnement • Πωλήσεις και συνδρομές
Sales and subscriptions • Vente et abonnements • Vendita e abbonamenti
Verkoop en abonnementen • Venda e assinaturas**

BELGIOUE / BELGIE

Moniteur belge / Belgisch Staatsblad
Rue de Louvain 42 / Louvenseweg 42
1000 Bruxelles / 1000 Brussel
Tel. (02) 512 00 26
Fax 511 01 84
CCP / Postrekening 000-2005502-27

Autres distributeurs /
Overige verkooppunten

**Librairie européenne/
Europese Boekhandel**
Avenue Albert Jonnart 50 /
Albert Jonnartlaan 50
1200 Bruxelles / 1200 Brussel
Tel. (02) 734 02 81
Fax 735 08 60

Jean De Lannoy
Avenue du Roi 202 / Koningslaan 202
1060 Bruxelles / 1060 Brussel
Tel. (02) 538 51 69
Télex 63220 UNBOOK B
Fax (02) 538 08 41

CREDOC
Rue de la Montagne 34 / Bergstraat 34
Bte 11 / Bus 11
1000 Bruxelles / 1000 Brussel

DANMARK

**J. H. Schultz Information A/S
EF-Publikationer**
Ottilavej 18
2500 Valby
Tlf. 36 44 22 66
Fax 36 44 01 41
Girokonto 6 00 08 86

BR DEUTSCHLAND

Bundesanzeiger Verlag
Breite Straße
Postfach 10 80 06
5000 Köln 1
Tel. (02 21) 20 29-0
Fernschreiber:
ANZEIGER BONN 8 882 595
Fax 20 29 278

GREECE

G.C. Eleftheroudakis SA
International Bookstore
Nikis Street 4
10563 Athens
Tel. (01) 322 63 23
Telex 219410 ELEF
Fax 323 98 21

ESPAÑA

Boletín Oficial del Estado
Trafalgar, 27
28010 Madrid
Tel. (91) 44 82 135

Mundi-Prensa Libros, S.A.
Castelló, 37
28001 Madrid
Tel. (91) 431 33 99 (Libros)
431 32 22 (Suscripciones)
435 36 37 (Dirección)
Télex 49370-MPLI-E
Fax (91) 575 39 98

Sucursal:
Librería Internacional AEDOS
Consejo de Ciento, 391
08009 Barcelona
Tel. (93) 301 86 15
Fax (93) 317 01 41

**Libreria de la Generalitat
de Catalunya**

Rambra dels Estudis, 118 (Palau Moja)
08002 Barcelona
Tel. (93) 302 68 35
302 64 62
Fax 302 12 99

FRANCE

**Journal officiel
Service des publications
des Communautés européennes**
26, rue Desaix
75727 Paris Cedex 15
Tél. (1) 40 58 75 00
Fax (1) 40 58 75 74

IRELAND

**Government Publications
Sales Office**
Sun Alliance House
Molesworth Street
Dublin 2
Tel. 71 03 09

or by post

**Government Stationery Office
EEC Section**
6th floor
Bishop Street
Dublin 8
Tel. 78 16 66
Fax 78 06 45

ITALIA

Licosa Spa
Via Benedetto Fortini, 120/10
Casella postale 552
50125 Firenze
Tel. (055) 64 54 15
Fax 64 12 57
Telex 570466 LICOSA I
CCP 343 509

Subagenti:

**Libreria scientifica
Lucio de Biasio - AEIOU**
Via Meravigli, 16
20123 Milano
Tel. (02) 80 76 79

Herder Editrice e Libreria
Piazza Montecitorio, 117-120
00186 Roma
Tel. (06) 679 46 28/679 53 04

Libreria giuridica
Via XII Ottobre, 172/R
16121 Genova
Tel. (010) 59 56 93

GRAND-DUCHÉ DE LUXEMBOURG

Abonnements seulement
Subscriptions only
Nur für Abonnements

Messageries Paul Kraus
11, rue Christophe Plantin
2339 Luxembourg
Tél. 499 88 88
Télex 2515
Fax 499 88 84 44
CCP 49242-63

NEDERLAND

SDU Overheidsinformatie
Externe Fondsen
Postbus 20014
2500 EA 's-Gravenhage
Tel. (070) 37 89 911
Fax (070) 34 75 778

PORTUGAL

Imprensa Nacional
Casa da Moeda, EP
Rua D. Francisco Manuel de Melo, 5
P-1092 Lisboa Codex
Tel. (01) 69 34 14

**Distribuidora de Livros
Bertrand, Ld.ª**

Grupo Bertrand, SA
Rua das Terras dos Vales, 4-A
Apartado 37
P-2700 Amadora Codex
Tel. (01) 49 59 050
Telex 15798 BERDIS
Fax 49 60 255

UNITED KINGDOM

HMSO Books (PC 16)
HMSO Publications Centre
51 Nine Elms Lane
London SW8 5DR
Tel. (071) 873 9090
Fax GP3 873 8463
Telex 29 71 138

Sub-agent:

Alan Armstrong Ltd
2 Arkwright Road
Reading, Berks RG2 0SQ
Tel. (0734) 75 18 55
Telex 849937 AALTD G
Fax (0734) 75 51 64

ÖSTERREICH

**Manz'sche Verlags-
und Universitätsbuchhandlung**
Kohlmarkt 16
1014 Wien
Tel. (0222) 531 61-0
Telex 11 25 00 BOX A
Fax (0222) 531 61-81

SVERIGE

BTJ
Box 200
22100 Lund
Tel. (046) 18 00 00
Fax (046) 18 01 25

SCHWEIZ / SUISSE / SVIZZERA

OSEC
Stampfenbachstraße 85
8035 Zurich
Tel. (01) 365 51 51
Fax (01) 365 54 11

MAGYARORSZÁG

Agroinform
Központ:
Budapest I., Attila út 93. H-1012
Levelcim:
Budapest. Pf.: 15 H-1253
Tel. 36 (1) 56 82 11
Telex (22) 4717 AGINF H-61

POLAND

Business Foundation
ul. Wspólna 1/3
PL-00-529 Warszawa
Tel. 48 (22) 21 99 93/21 84 20
Fax 48 (22) 28 05 49

YUGOSLAVIA

Privredni Vjesnik
Bulevar Lenjina 171/XIV
11070 - Beograd
Tel. 123 23 40

TÜRKIYE

Pres Dagitim Ticaret ve sanayi A.Ş.
Narlibahçe Sokak No. 15
Cagaloglu
Istanbul
Tel. 512 01 90
Telex 23822 DSVO-TR

**AUTRES PAYS
OTHER COUNTRIES
ANDERE LANDER**

**Office des publications officielles
des Communautés européennes**
2, rue Mercier
L-2985 Luxembourg
Tel. 49 92 81
Télex PUBOF LU 1324 b
Fax 48 85 73
CC bancaire BIL 8-109/6003/700

CANADA

Renouf Publishing Co. Ltd
Mail orders — Head Office:
1294 Algoma Road
Ottawa, Ontario K1B 3W8
Tel. (613) 741 43 33
Fax (613) 741 54 39
Telex 0534783

Ottawa Store:
61 Sparks Street
Tel. (613) 238 89 85

Toronto Store:
211 Yonge Street
Tel. (416) 363 31 71

UNITED STATES OF AMERICA

UNIPUB
4611-F Assembly Drive
Lanham, MD 20706-4391
Tel. Toll Free (800) 274 4888
Fax (301) 459 0056

AUSTRALIA

Hunter Publications
58A Gipps Street
Collingwood
Victoria 3066

JAPAN

Kinokuniya Company Ltd
17-7 Shinjuku 3-Chome
Shinjuku-ku
Tokyo 160-91
Tel. (03) 3439-0121

Journal Department
PO Box 55 Chitose
Tokyo 156
Tel. (03) 3439-0124

Price (excluding VAT) in Luxembourg: ECU 11.25



OFFICE FOR OFFICIAL PUBLICATIONS
OF THE EUROPEAN COMMUNITIES

L-2985 Luxembourg

ISBN 92-826-2916-3



9 789282 629161