

Diversity in Employment Patterns in North-West Europe: A Regional and Sectoral Approach

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The decline in Germany's capacity to provide employment for its population has become one of the most discussed economic questions of the turn of the twentieth and twenty-first centuries. It is a change that has occurred despite the economy's continuing strong performance on the most obvious criterion of national competitiveness: capacity to sell goods abroad. Particularly puzzling from some perspectives is that the two parts of Europe that out-perform Germany on employment – the United Kingdom and the Nordic Countries – are often considered in the literature on capitalist diversity to differ from Germany in opposite ways. For example, in the dichotomized world of Hall and Soskice (2001) the UK is a paradigm case of a liberal market economy, while the Nordic countries are, like Germany, co-ordinated market economies. Other observers claim that the Nordics and the UK both have low levels of labor-market regulation, but this only works if certain forms of government regulation are considered: the Nordic countries have more powerful trade unions and legislation governing the work environment than either Germany or the UK.

That in post-industrial economies both so-called 'liberal' and 'social democratic' welfare states might have a superior capacity to generate employment than so-called 'corporatist' ones was anticipated some years ago by Esping-Andersen (1999). In his scheme the UK, the Nordics, and Germany were clear representatives of these respective types. In free-market economies, he argued, there was a large gap between wealthy and poor populations, enabling the former to employ the latter at low wages and with low or nonexistent non-wage costs in low-productivity service jobs. Also, generous welfare states produced a large number of jobs in public services, many of which also existed at low-skilled levels. These two contrasting kinds of economy both developed a capacity to provide low-productivity jobs in services to replace those that had existed in Fordist manufacturing. Ebbinghaus (2000) reached a similar conclusion about these three country types following an examination of a different policy area: early retirement.

This theme was taken up specifically in the German context by Fritz Scharpf (2000) and Wolfgang Streeck (1997, 2000; also Hinrichs et al. 2001). From their

contributions stems the controversial argument that an expansion of low-cost service jobs is necessary to avoid high levels of unemployment. In the face of competition from low-cost producers in newly industrializing parts of the world, governments in most advanced economies have been pursuing a strategy of upgrading the skills of their workforces so that they would have to compete only in high-skilled and high-value-added sectors where these new economies were not active. Scharpf and Streeck were skeptical of the ability of this strategy to ensure full employment. High-skill sectors may not provide enough of a range of activities to provide high levels of employment. Also, often being highly capital-intensive, high-value-added manufacturing sectors usually employ relatively few workers. It may therefore be important for an advanced economy to have sectors that provide work for low-productivity workers in ways that are not vulnerable to international competition. This primarily means those services that are delivered face-to-face. These are found partly in the care services (usually, at least in mass markets, in public services) and partly in sectors like distribution and the service of food.

There are however some difficult provisos. Fordist manufacturing had harnessed low-productivity workers to capital-intensive manufacturing processes, enabling such workers to earn good wages. Low-productivity services do not always do this; therefore either wages have to be low, or non-wage labor costs have to be reduced. The latter option is more amenable to action than actual wage levels, as it can be tackled by shifting the financing of social benefits from employment-based to general taxation, giving important relief to employers' non-wage labor costs without forcing the workers concerned into poverty. Although such a shift in taxation form might seem only a technical, bureaucratic matter, in Germany and some other countries it presents a challenge to the organizational structure of social insurance finances. This has proved to be more problematic than tolerating a high level of unemployment, reflecting the fact that systems like the German (and the French) where minorities of the labor force are organized or represented in the administration of social security can continue to protect insiders at the expense of those outside.

Esping-Andersen (1999) and Scharpf (2000) both considered that the 'Nordic' route of providing low-productivity employment through public services would prove less viable than the market route, because of a presumed public resistance to the taxation needed to fund these services.

These arguments have different implications for employment in different types of economies. Within Europe, they were 'best news' for the UK of the 1990s and after. That country's long record of declining success in manufacturing would actually become a competitive advantage, as the future of employ-

ment lay in services, including low-productivity ones. The UK was also seen, like the USA, to depend more on low-wage private-service than on public-service employment. Further, labor-market policy during the 1980s had weakened trade unions, collective bargaining and labor protection, leaving the way open for an expansion in low-wage jobs. There was less good news for the Nordic countries. Their dependence on public services was seen as vulnerable to 'taxpayers' revolts,' and their labor markets were subject to the strongest trade unions in the world. On the other hand, the Nordics shared with the UK a declining dependence on employment in manufacturing. The worst news was for Germany, the trajectory of whose economic policy remained fixed on manufacturing, with highly regulated labor markets, and a social insurance system that discouraged the employment of low-productivity workers.

The present chapter is concerned with testing some of these hypotheses against the development of employment in the countries concerned during the half decade since they were formulated. In so doing it will add an additional variable and examine employment patterns at regional levels. This is so for three reasons. First, the unification of Germany, involving the fusion of two very diverse national economies, makes it impossible to consider that country as a simple whole for a study of this kind. Second, the Nordic countries, while in many ways distinct from each other, also share many characteristics of economic organization. They will be treated here as regions of a wider entity called 'Norden.' Third, disaggregation of Germany and the UK at one level, and treating 'the Nordics' as some kind of unit at another level enables us to consider whether the nation-state is always the best level to use for comparative analysis. Is there a Nordic pattern, such that the countries of that part of the world will tend to be grouped together, distinct from the internal patterns of the other countries? And, from the within-nation perspective in Germany and the UK, to what extent is there divergence from overall national patterns?

Four groups of 'regions' will therefore be identified, only one of which (the UK) constitutes a nation-state:

1. The nation-states of the Nordic countries (Denmark, Finland, Norway, and Sweden, but not Iceland). Although these are autonomous nation-states and in terms of the data of the Statistical Office of the European Communities, Eurostat, constitute 'NUTS level 1' (NUTS = nomenclature of territorial units for statistics), they have populations ranging between four and nine million (typical sizes of NUTS 2 regions in Germany and the UK), and are often linked together in discussions of policy and institutional style. Unfortunately, Norway being outside the European Union, comparable data are often not available for it. For much of the analysis therefore 'Norden'

- has just three 'regions.' Since Norway's economy is heavily supported by its North Sea oil resources, it is in any case untypical in a number of respects.
2. The United Kingdom, divided into its NUTS 2 regions. These comprise both the standard English regions used for central-government administrative purposes, and the three sub-state, partly devolved entities of Scotland, Wales and Northern Ireland.
 3. The territory of the former western Federal Republic of Germany, less its share of the then divided city of Berlin. Here the NUTS 2 level is also used. This is the level of the *Land*. Here the *Länder* will be called 'regions,' though in Germany itself this term denotes a smaller, less formally defined entity.
 4. The group of former *Länder* of the eastern German Democratic Republic, with the whole of Berlin.

Such an approach may offend various sensibilities: it regards Germany as still being two units rather than one; it treats that nation's *Länder* (literally 'countries') as being no more than regions; it treats the nation-states of Norden in the same way; and also the sub-state nations of Scotland, Wales, and Northern Ireland. This is however being done for statistical purposes only and has no political implications.

The dependent variable in the study is the overall level of employment in these various units of analysis. The strength of an economy to provide employment is normally assessed by the measured level of unemployment. This has however become an unhelpful concept when considering the employment strength of contemporary advanced economies, because it rests on false assumptions. It assumes that the unemployed comprise all those who are seeking paid work but cannot find it. They are therefore considered to be the stock of currently unused but available labor, constituting the employment potential of a given population or its currently wasted labor resource. However, major increases in the supply of labor in recent decades have rarely come from this pre-existing stock. They have more often been immigrants from outside the population in question, by definition not previously counted as part of its labor supply. Alternatively, they have been women, who had not previously considered themselves to be potential workers, or at least, had not declared themselves to be in search of work. Similar, smaller sources often comprise retired workers and students, who might take up some form of usually part-time employment, but who, neither beforehand nor afterwards if they lose their jobs, consider themselves to be unemployed. In other words, people often do not consider themselves to be part of the labor force until they have work.

The most important of these defects is the position of women, in particular mothers. They have provided the main source of new recruits to the remuner-

ated labor force in recent years, and differences in the level of this recruitment are a major explanation of overall cross-national differences in employment levels. However, women (particularly mothers) rarely enter the labor force by first announcing themselves as available for work by registering as unemployed. And if they lose their jobs they often return to household work only, without perceiving or declaring themselves as unemployed. Even more problematic, since this depends very much on how women perceive their relationship to the labor force, their behaviour in relation to it is likely to change over time and to vary across societies. Further, the debates of most of the twentieth century about the issue of unemployment and the pursuit of full employment implicitly and often explicitly concerned themselves with male employment only.

In this chapter my basic datum will therefore consistently be the proportions of populations over the age of 15 who are in various kinds of paid employment.

1 The General Context of Differential Employment Growth

Table 1 presents the percentage of the population aged between 15 and 64 who, according to Eurostat, worked for payment for at least one hour in the week surveyed in 2004 (the most recent data available). Figures are presented at nation-state level for the countries at the center of the present study, plus the USA as an extra-European comparator. The criterion of 'one hour's work in a week is a weak notion of 'employment.' The statistics also fail to take account of possible differences in numbers of young people in higher education. Not too much should therefore be made of minor differences. The weakness of

Table 1 Basic Employment Data, Seven Countries, 2004

	Employment rate, 15-64			Employment rate, 55-64			Mean age at labor-force exit		
	All	Male	Female	All	Male	Female	All	Male	Female
Denmark	75.7	79.7	71.6	60.3	67.3	53.3	62.1	62.6	61.6
Finland	67.6	69.7	65.6	50.9	51.4	50.4	60.5	60.2	60.8
Germany	65.0	70.8	59.2	41.8	50.7	33.0	61.3	61.4	61.1
Norway	75.1	77.9	72.2	65.8	71.0	60.6	62.0	62.8	61.1
Sweden	72.1	73.6	70.5	69.1	71.2	67.0	62.8	63.1	62.4
UK	71.6	77.8	65.6	56.2	65.7	47.0	62.1	62.9	61.4
USA	71.2	77.2	65.4	59.9	66.0	54.3	n.a.	n.a.	n.a.

Note: Employment rate includes all those in stipulated population who worked for *at least one hour* during month in which labor force survey was conducted.

Source: Eurostat.

Germany is clear, but particularly in relation to female jobs. Differences are far stronger among the countries when it comes to the employment of older workers (those between 55 and 64). Again, most of the Nordic countries lead, with Germany considerably in the rear. This strong Nordic performance is achieved despite these countries having generous pensions systems and high proportions of the population receiving disability payments, factors usually considered to be major causes of low levels of participation. (See also Ebbinghaus 2000 for an examination of the causes of differential early retirement.) On the other hand, differences in the average age of leaving the labor force are highly compressed (data are not available for the USA on this variable).

The Longer-term Nature of Low German Employment Levels

The low German employment figure is frequently interpreted as a consequence of the country's recent economic difficulties, or unification. But it is a longer-standing characteristic. Table 2 shows simple statistics of the proportion of the relevant population in employment in the former Federal Republic and the UK during the late 1970s and the 1980s, when, although unemployment was high almost everywhere, German relative economic performance was at a peak, the UK was enduring successive crises, and neither German unification nor the single European currency had appeared on the scene. *Throughout this period the German economy consistently made less use of its population for the labor force than did the British.* There was a particularly large contrast in female participation, but there was a gap also among males. It is unfortunately not possible to make easy comparisons between these levels and current ones, as systems of calculation have changed.

Table 2 Employment Rates, 15–64 Years Old, in Federal Republic of Germany and UK, 1979–1989

	All	Male	Female	M:F ratio
Germany				
1979	63.0	79.4	44.6	1.8
1984	59.6	73.1	41.5	1.8
1989	62.1	74.8	44.5	1.7
UK				
1979	69.6	83.1	54.2	1.5
1984	64.1	75.1	47.2	1.6
1989	70.9	80.6	56.5	1.4
Difference (UK minus Germany)				
1979	6.6	3.7	9.6	
1984	4.5	2.0	5.7	
1989	8.8	5.7	12.0	

Source: Eurostat.

West Germany had not embraced the Keynesian priority of pursuing full employment as a direct object of policy until the late 1960s, almost the end of the period of Keynesian dominance. It had instead prioritized monetary stability and low inflation, achieved through central bank independence. Full employment should emerge as a consequence of a strong economy, not as a direct aim. The Nordic countries and the UK

had adopted Keynesian policies: in the case of the Scandinavians since the mid-1930s; of the British since the early 1940s; of Finland rather later. They therefore had a long tradition of concern for maximizing work opportunities, most notably in Swedish active labor market policy, the world pioneer of that kind of approach. Until the 1960s full employment was perceived as a male question, but in Scandinavia a concern for women being in the labor force emerged during that decade (Naumann 2006).

Married women began to enter the British labor force slightly later, predominantly as part-time workers. At that time there was not so much an explicit concern with women's employment in the UK; it was rather a matter of it not being actually discouraged by social policy. A more explicit concern emerged in the 1970s, in the form of a demand for 'equal pay for equal work' and the abolition of special women's rates of pay.

Rather than seeking to increase demand for labor, social democratic and trade-union policy makers in Germany sought to reduce its supply. They looked to policies of early retirement, disability retirement, and reduced working hours; and were certainly disinclined to consider improving women's work opportunities. This fit with the insistence of Catholic social policy that there was nothing particularly important in paid work, and that the labor of motherhood was of equal value. In Germany and other parts of Europe where Catholic policy was important, there were various fiscal and other incentives to mothers not to join the paid labor force. As a number of authors have recognized, different national policy systems have established different sets of incentives for labor force participation, particularly by women, to the extent that subsequent change leads at least as much to further divergence as to convergence (Rubery et al. 1999; Daly 2000). Later the rise of a German Green movement, which in its early years was suspicious of economic growth, also encouraged a search for reductions in labor supply rather than increases in labor demand as a means of tackling employment problems.

The Challenge of the Post-industrial Economy

The global, post-industrial economy places a premium on increasing the proportion of the population in paid work. The fiscal burdens of countries with advanced public infrastructure (and, given the low birth rates and high longevity of populations in wealthy societies, high dependency ratios and pension costs) can be less harmful to competitiveness if the non-wage labor components of these costs are shared by high proportions of the population. The larger the number of income-tax payers and contributors to social security costs, the lower the burden on any individual.

Two functional equivalents to substitute for Keynesian policies can become important in this kind of economy: the multiplier of the employment-creating capacity of employment itself; and consumer credit as a replacement for public deficit finance. Only the former will be considered here. All employment growth creates a secondary demand for further employment within the same national economy, to the extent that the workers created by the initial growth spend their money on locally produced services. Their purchases of manufactured goods do not have the same national effect, as these are far more likely to be imported – though local employment is created in the distributive services used to buy even imported goods. This process has acquired increased prominence during the period of post-industrialization. The more that increments of income are spent on either privately purchased services or those publicly provided through increased tax revenues, the more this employment multiplier operates, and the more dependent job creation becomes on prior job creation. Two secondary factors speed the multiplier:

1. When the main driver of the economy and therefore of job creation was seen to come through growth in manufacturing, there was little policy concern for services. There was never a policy priority to be concerned with growing employment in shops and transport services, for example. At one point in the 1960s the UK actually had a Selective Employment Tax imposed on employment in services, to try to encourage a shift into manufacturing. However, as manufacturing becomes increasingly capital intensive and as low-cost newly industrializing countries enter more and more areas of export production, the employment capacity of distributive and other services employment can no longer be ignored.
2. There is a particularly strong ‘femino-multiplier’ whereby women’s jobs create women’s jobs. This occurs through the commodification and/or professionalization of household tasks. When a woman enters the paid labor force, she is likely to replace at least some of her previous unpaid domestic labor with goods and services either purchased in the market or provided by public services. In some cases the replacements are goods: the automation of the kitchen, creating jobs in the production of household appliances. In other cases she buys labor-saving services: prepared food rather than ingredients; child care; care of sick and elderly relatives. In the latter two cases the services may be provided by the welfare state rather than directly in the market. All this creates jobs somewhere, and they are likely to be more female jobs, as women are particularly likely to work in care services and food-related activities (Grattan 2003). The women who work in these jobs then set off a further round of such job creation.

The participation of west (though not east) German women in the paid labor force has lagged behind that of their British and Nordic neighbours in northern Europe since the early 1960s. Before that time there had not been these differences, participation being generally low. It then began to rise in Nordic countries and the UK (Crouch 1999; Naumann 2006). This was partly made possible by the growth of care employment in the welfare state described above. In the UK a growth of part-time jobs was more important. For a number of reasons, prominent among them being Catholic social policy that discouraged female employment, and a consequent dependence of trade unions on arguments about the importance of male 'family breadwinner' wages, the same processes were far weaker in Germany (Naumann 2006). German employment was set on a different path from the Nordic countries and the UK. Initially this seemed a development of no importance, as the manufacturing sector was the main jobs locomotive, and few women worked there in any of the countries. By the time the general importance of the change for employment and economies in general had been realized, countries were embarked on path dependencies that were not so easy to adjust.

Employment in High-tech Sectors

It is easy to move from the observation that the German economy remains more oriented to manufacturing than to services to the conclusion that Germany is stuck in outmoded forms of economic activity and is avoiding modernization. This is only partly borne out by recently available statistics. Table 3 presents Eurostat data for 2004 on employment in various knowledge-intensive activities (Felix 2006). Germany clearly lags behind the other countries being discussed in employment in knowledge-intensive *services*. It should also be noted that nothing distinguishes the British and Nordic cases. There is a similar difference among the small subset of those services that are defined as high-tech. Again, the UK

Table 3 Employment in Knowledge-intensive Activities, 2004

	As percentage of total employment				Annual average growth, 1999–2004			
	Manufacturing		Services		Manufacturing		Services	
	High-tech	Medium-tech	High-tech	Other	High-tech	Medium-tech	High-tech	Other
Denmark	1.0	5.0	4.1	42.3	-0.1	-1.3	-1.7	0.6
Finland	2.0	4.9	4.6	40.3	-0.6	-0.9	1.9	2.0
Germany	1.8	9.4	3.4	33.4	0.8	0.2	3.2	1.8
Norway	1.1	5.7	3.9	45.6	-3.0	-3.9	0.2	1.7
Sweden	1.1	6.0	4.8	47.0	-8.3	-0.4	1.2	1.9
UK	1.1	5.7	4.3	42.1	-7.0	-4.9	1.1	1.7

Source: Felix (2006).

fits among the Nordic cases and does not have a distinctive position in relation to them. Germany does not however lag behind in recent (1999–2004) growth in these sectors, particularly the latter. It is clearly the leader here, indicating that the gap is narrowing, and that the caricature of the country as unchanging is false.

The lower part of Table 3 considers employment in high- and medium-tech *manufacturing*. Here, far from being a laggard, Germany is a leader, particularly in medium technology. It is also the only country in the group with a positive growth rate in both subsectors since 1999. Eurostat also found that in 2004, of the 15 regions in the 25 EU member states that had the highest levels of employment in high- and medium-tech manufacturing, 12 were in Germany. The position of Germany as an essentially manufacturing economy is confirmed. Germany may be in a path dependence trap of manufacturing industry, but it is incorrectly depicted as one of stasis or sclerosis within these activities.

2 Regional Employment Patterns

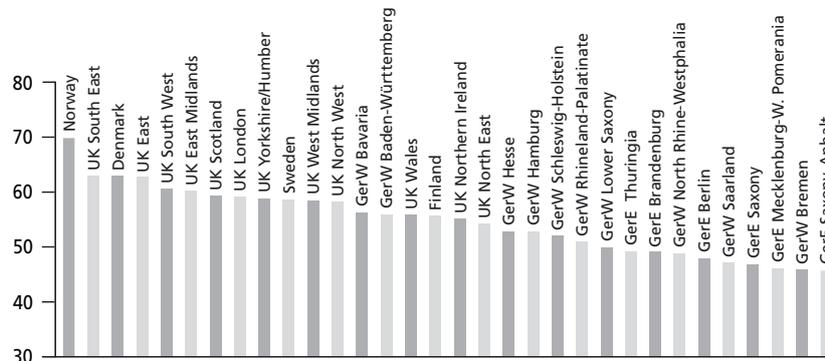
To what extent are the patterns that we observe here national ones, and to what extent do they vary by region and by economic sector? And to what extent are cross-national differences explained by differences in regional patterns and sectoral composition? Figure 1 presents overall employment data on a similar basis as Table 1 does for the four ‘groups of regions’ defined above.¹ The statistical basis for these calculations is persons in the workforce aged 15 to 64 as a percentage of the total population aged over 15. This makes them not fully comparable with those in Table 1.

The results are striking. Most of the ‘regions’ of Norden and the UK are fully overlapping, filling the top 12 places. Only then do the two strongest German regions (Bavaria and Baden-Württemberg, together constituting the German ‘south’) enter, ahead of the three weakest British regions and Finland. Eastern German regions occupy most of the lowest places, though two western regions (North Rhine-Westphalia and, particularly low down, the small *Stadtstaat* Bremen) are among them.

Too much weight should not be placed on strict rank order, as some of the differences are very slight and might be accounted for by differences in the age structure or numbers of students in particular regions. We therefore concentrate

¹ The terms west(ern), east(ern), north(ern) and south(ern) will be in lower case when they imply an informal geographical designation; in capital letters when they constitute part of the formal title of a region.

Figure 1 Percent of Population Aged 15 and over in Paid Work, 2004



Note: In Figures 1–8, vertical axes are truncated (do not begin at zero). Bars are in alternating shades of gray to facilitate legibility; the shading has no further significance.

Source: Figures 1–8: Eurostat.

on those cases coming above and below one standard deviation from the mean. The highest (i.e. above one standard deviation) participation levels are found in two of the four Nordics and in South East England. The lowest category (below one standard deviation) constitutes the remaining eastern and three western German regions.

Separate inspection of the gendered data (Figures 2 and 3) confirms that Sweden and Finland owe their relatively high overall positions to their capacity to provide female employment. Perhaps surprisingly, the opposite applies to London. The German capital, Berlin, contrasts with its British counterpart in this respect. In general the eastern *Länder* have higher relative levels of female employment than their western counterparts, more closely resembling Norden and the UK. This reflects a continuation of patterns from the former German Democratic Republic, where Catholic social policy did not operate, and women were encouraged to work – and demonstrates the strength of path dependences in both parts of Germany.

Using the same definitions in relation to the mean and the standard deviation, the male employment pattern presents a clear geography. In the highest category are two Nordics plus the southern parts of the UK. The whole of eastern Germany is found (with Bremen) in the lowest category. The highest employers of women are three of the four Nordics and two British regions, to the south and east of London. The old industrial heartlands of western Germany are among the lowest of all.

Figure 2 Percent of Males Aged 15 and over in Paid Work, 2004

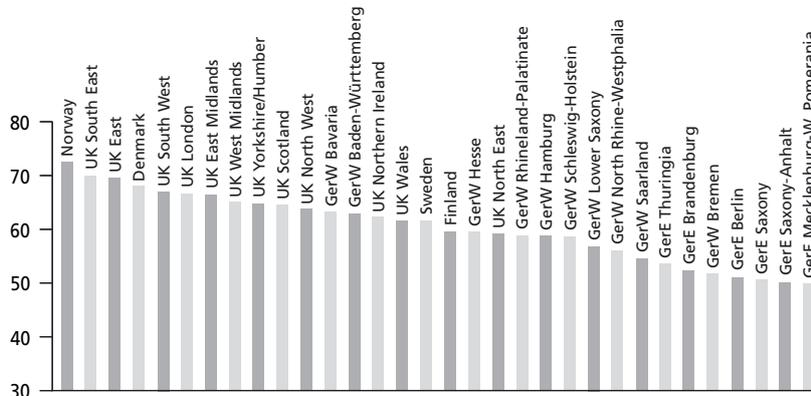
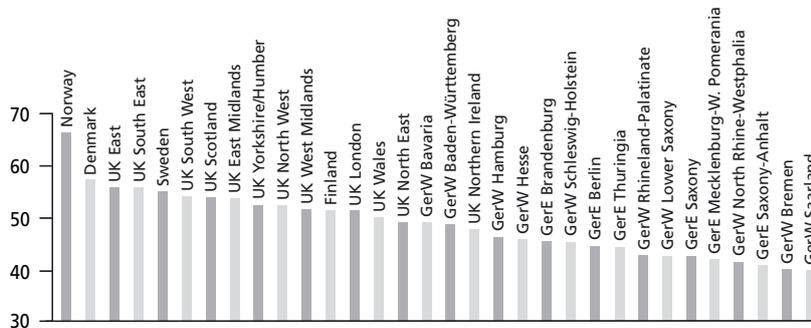


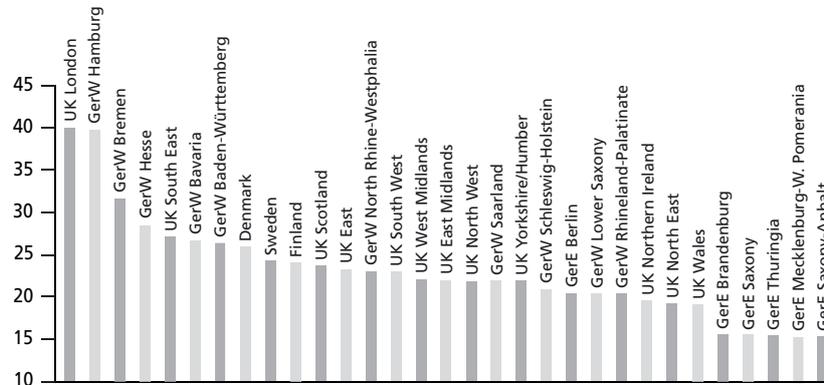
Figure 3 Percent of Females Aged 15 and over in Paid Work, 2004



Employment and Prosperity

An important question concerns the extent to which high levels of employment are associated with high levels of wealth creation or prosperity. It is unfortunately not possible to draw strong conclusions on this, because of the way in which statistics have to be gathered. Employment is assessed in terms of the region of residence of the population concerned; but contributions to gross domestic product have to be calculated at the point where the wealth is produced. If a worker lives and works in the same geographical area being used in these calculations, there is no problem. But commuting workers produce distortions. This matters at the margins even in cross-national comparisons (for example, Polish workers commuting to Germany, or French workers to Switzerland). Within

Figure 4 Per Capita GDP by Purchasing Power Parities (Thousand Euros), 2004



nation-states there are far more such movements, and this is exceptionally important in the case of urban agglomerations which are defined as excluding their surrounding commuter belts.

These distortions can be seen in Figure 4, which presents data for per capita GDP calculated in terms of purchasing power parities for our regions in 2004. The three richest regions, and the only ones that surpass one standard deviation above the mean, are all urban areas of the kind described: Bremen, Hamburg and London. The only other region of this kind, Berlin, is the only eastern German region to come above the lowest group. Setting aside these five exceptional regions, the overall differences in employment levels are reflected in the GDP data for Norden and eastern Germany. The relative positions between British and western German regions are more ambiguous if seen in comparison with employment levels. Four out of eight remaining western German *Länder* but seven out of eleven British regions fall below the mean.

One aspect of this is the greater inequality in regional prosperity in the UK. The OECD calculates an index of geographic concentration of regional GDP in its 27 member countries, constructed to account for within- and between-country differences in the size of regions (OECD 2004). In 2001 the UK ranked second most concentrated with an index of 0.55, exceeded only by Portugal (0.58). (Zero means no concentration and 1 maximum concentration). Sweden (third, 0.54), Finland (seventh, 0.50), and Norway (eighth, 0.49) were also highly concentrated, but Denmark (twenty-second, 0.35) and Germany (twenty-fourth, 0.30) were far more evenly spread. The UK also showed high regional disparities in per capita GDP, its Gini index of 0.20 being exceeded only by considerably less developed economies: Mexico, Turkey, and Hungary and equal to Portugal.

Our other countries all had much lower and similar scores: Denmark 0.14, Finland 0.13, Sweden 0.10, and Germany 0.13 (*ibid.*).

Regions and Sectors

Behind both regional and gender differences lie sectoral ones: different sectors are differently distributed geographically, while men and women typically work in different ones. Figures 5 to 8 present aggregate statistics for selected sectors, showing the proportion of people over 15 years old working within them. Unfortunately Eurostat data do not include Norway for these purposes, so our Norden now has only three units.

The statistics for employment in manufacturing industry (Figure 5) present a completely different picture from the aggregate data and those for other sectors. The sector still employs over 20 percent of the relevant population in the most heavily manufacturing regions, but goes as low as 8 percent in others. The two southern German regions constitute the highest category. The high position of two eastern German regions, especially Thuringia, is notable. It must be remembered that these figures indicate proportions of the total *population* aged over 15, not of those in work, so these high levels of manufacturing employment are absolute, not relative. The lowest levels are mainly found in city regions: the British and German capitals and the two other German *Stadtstaaten* (Bremen and Hamburg). The high figures for employment in manufacturing in most German regions suggest that it is not the case, as is often argued, that Germany's continuing high performance in manufacturing is the nominal result of carrying out small amounts of final assembly in Germany on products that have largely been produced by labor in other countries. However, manufacturing employment is negatively associated with per capita GDP, though only weakly (Table 4).

Analysis of three different services sectors reveals patterns more closely resembling those of the aggregate data, demonstrating the dominance of the post-industrial economy.

Table 4 Correlations among Selected Variables

Employment in:	GDP per capita	Employment
Manufacturing	-0.23	
by distributive services		-0.23
by business services		-0.36
by social and community services		-0.32
Distributive services	0.62	
by business services		0.70
by social and community services		0.57
Business services	0.80	
by social and community services	0.09	0.38

Source: own calculations.

Figure 5 Percent of Population Aged 15 and over Working in Manufacturing, 2004

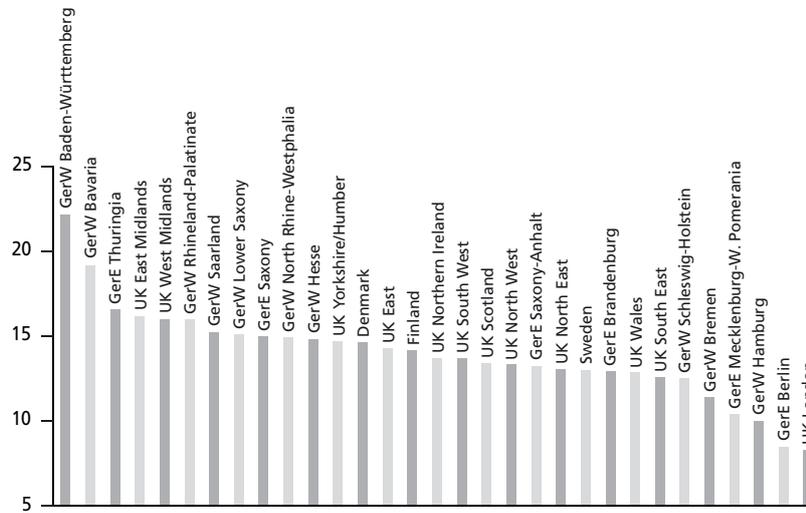
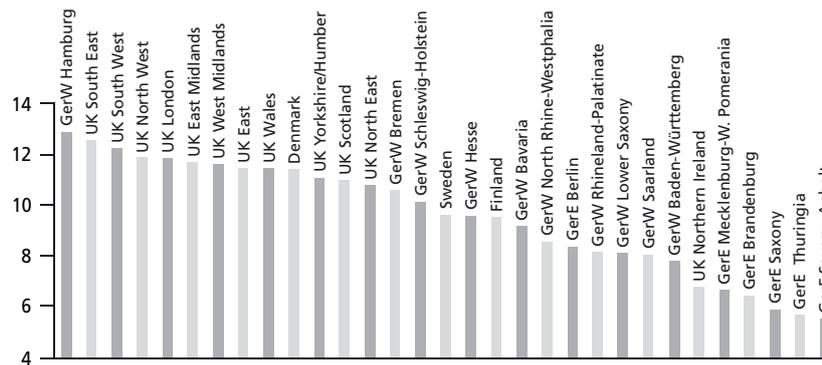
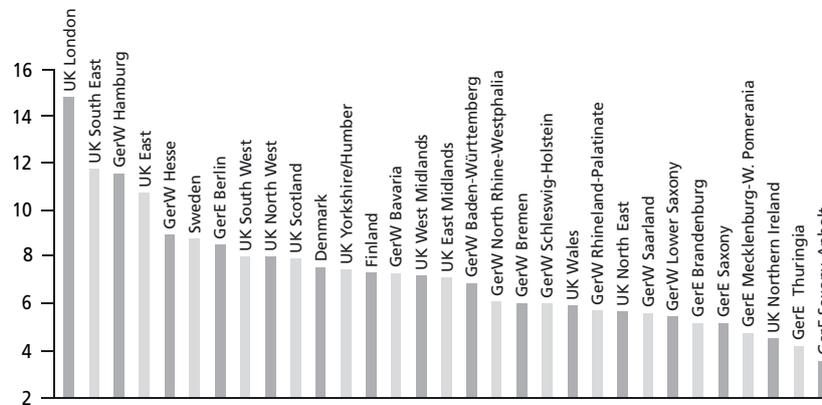


Figure 6 Percent of Population Aged 15 and over Working in Distribution, 2004



Distributive services (Figure 6) comprise a diversity of activities including wholesale and retail trade, hotels and restaurants, transport, and communications. Few apart from telecommunications are particularly ‘high-tech.’ It is not so much a growing as a stable source of employment, its stability depending very much on its relative protection (compared with manufacturing) from globalization and major improvements in labor productivity. It employs between 5 and 12 percent of the relevant population. Within it are found many of the low-skilled,

Figure 7 Percent of Population Aged 15 and over Working in Business Services, 2004

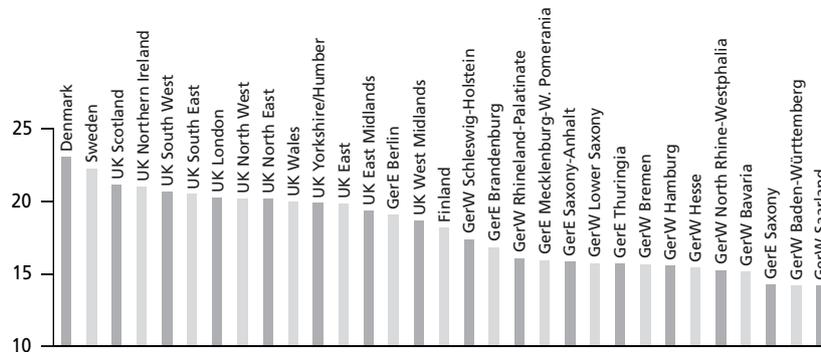


protected-sector jobs that Esping-Andersen (1999), Scharpf (2000), and Streeck (2001) had identified as fundamental to post-industrial employment.

The most concentrated region for this employment is Hamburg, for centuries a commercial city; others in the highest category are all English regions. One UK region is found below one standard deviation with the eastern German *Länder*. Northern Ireland, an area troubled by considerable political violence from the late 1960s to the end of the twentieth century, and thus having a restricted 'street life,' so fundamental to shopping, transport, restaurants and several other components of the distributive sector. Low employment in distribution was a characteristic of state-socialist economies, and the legacy of that is still clearly visible 15 years later. With the exception of Hamburg, the levels of such employment in western *Länder* are also weaker than in the UK, though it is not so different from the Nordic countries. West German and Nordic regions share a profile here. There is some positive relationship between employment in the distributive sector and per capita GDP (Table 4).

The business services sector (Figure 7) corresponds more closely to images of the high-value-added post-industrial economy. It contains a number of services typically offered to business rather than private households. These include some low-productivity activities like cleaning and security, but it is dominated by financial (banking and insurance) and legal services. It accounts for between only 4 and 15 percent of employment in the various regions, the latter figure being the unusually high case of London. Again, Hamburg appears alongside three southeast English regions in the highest group. Only one other German region (Hesse, home of Frankfurt and the German financial sector) appears alongside

Figure 8 Percent of Population Aged 15 and over Working in Social and Community Services, 2004



the Nordic countries and some British regions above the mean. The eastern German *Länder*, apart from the capital, have the lowest levels of all. Again, this sector was not developed in the state socialist economy. Employment is closely related to per capita GDP (Table 4).

Far clearer differences are to be found in social and community services (Figure 8), the biggest employer of labor in post-industrial economies (ranging from 14 to 23 percent in our regions). There are really two different sectors included in the Eurostat data: social and community services predominantly delivered through public-service organizations, with a small private sector; and household and personal services delivered by a mix of organizations ranging from firms to public service bodies to the self-employed (Crouch 1999: chap. 4). However, the latter is far smaller than the former in all countries. The biggest employers here are two of the Nordics with some overall economically poor British regions. Both western and eastern German *Länder* occupy all positions below the mean.

Esping-Andersen (1999) had anticipated this sector being a major source of employment in the Nordic countries, but not in the UK. Scharpf (2000) also recognized the importance of the sector, but considered that public resistance to high taxation would limit its capacity for growth. In fact, not only have the Nordic countries maintained their high proportions of employees in these sectors, but the UK has, since the late 1990s, embarked on a program of considerable increase in this area, an important factor behind its general employment growth since that time. The hypothesis that a UK employment growth path would be very different from a Nordic one, not making use of an expansion of public services, is therefore not confirmed. Also refuted, so far, is that the Nordic countries would be unable to sustain this growth path.

The UK has long shared with the Nordic countries a form of welfare state that delivers direct services, thereby generating employment in service delivery, rather than transfers. The German welfare state not only takes what is widely described as a 'Bismarckian' form, dependent on social-insurance-based transfers, but, since World War II sharing some characteristics with other Catholic-dominated polities, it has some care services partly delivered through voluntary or family activity (mainly by women). It is not therefore that there are weak care services in these countries, or that women do not work. German, Italian and other women living in Catholic countries work at types of activities very similar to those performed by many of their sisters in the Protestant or 'post-Protestant' countries of Britain and Norden. But they are not remunerated for this work, and it does not 'count' as employment. Also, because it is carried out in the framework of voluntary and familial activity, it does not follow formal organizational work rules and does not feature the 'femino-multiplier.'

There are differences in the British and Nordic approaches to employment, with the former having proportionately more workers in business and distributive services sectors. Employment in public services does not correlate at all with local GDP, accounting for only 8.82 percent of the variance in the latter variable (Table 4). This is not surprising, as these services are primarily funded by government outside the framework of the market economy. Although the poor eastern German *Länder* tend to have considerably higher levels of these services than their western counterparts, these are still far below the levels enjoyed by deprived British regions. It is sometimes argued that public service employment 'crowds out,' or at least is negatively related to that in other sectors. There is no evidence for that among the regions examined here (Table 4). Rather, it is employment in manufacturing that seems negatively correlated with the various services sectors. The latter are positively related among themselves, though most of the relationships are weak.

3 Conclusions

A number of conclusions follow from this closer look at regional and sectoral patterns of employment in this selection of north-west European labor markets:

1. Nearly all German regions continue to employ a smaller proportion of women than Nordic countries or the UK, but this does not account for the main part of the difference.

2. Employment in manufacturing industry is no longer associated with either overall employment levels or per capita GDP (where it is in fact negatively associated, though only weakly). In Germany and the UK alike, some of the most prosperous regions (Hamburg, London) have particularly low levels of manufacturing employment. On the other hand, the two south German *Länder* (Bavaria and Baden-Württemberg) continue to be highly prosperous industrial regions with relatively high employment.
3. Business services have come to be the form of economic activity most closely associated with a high level of regional GDP, though they usually account for only a low amount of total employment.
4. Social and community (largely public) services have become the biggest single sector of employment in the majority of regions. These services also account for the main differences that set Nordic and British employment on one side and German employment on the other, though they in no way account for the differences between the western and eastern *Länder*.
5. Employment in the distributive sector also accounts for much of the difference among British, western German and eastern German regions, though it is not so important in Scandinavia.
6. Different though the different kinds of services sectors are, they correlate with each other, and slightly negatively with industrial employment. This suggests that there is a distinctive pattern of post-industrial employment.
7. The Nordic countries and the UK do not represent opposed models of successful employment creation. All have a high level of public-service employment, child-care policies to encourage women's employment, and a workfare approach that includes important elements of Scandinavian active labor market policy. The hypothesis that the Nordic path would be inferior to one based on marketed, private services is not confirmed; rather there is convergence between the two.
8. The Nordics are also combining high levels of social and community services employment with strong performances in high-tech services, contrary to predictions that they would be weak in the latter. Here too there are elements of a joint Nordic-British approach.

The discussion above raises a number of questions for further research. First, there may be long-term distinctions between 'employment-oriented' and 'production-oriented' policy approaches. In the Keynesian period both the Nordic countries and the UK fell in the former category, because all pursued explicit demand-management policies, and Germany, which pursued *Ordoliberalismus*, fell in the latter. Under this latter, law and regulatory agencies imposed the rules of a free market order on the economy, including in particular the prioritization of

price stability by an autonomous central bank, the *Bundesbank*. What is remarkable is the apparent return of the distinction following a prolonged period in which the UK followed monetarist policies more strongly than any other European economy. These deprioritized full employment even more than did *Ordo-liberalismus*. To what extent do earlier priorities within these countries continue to incline policy-makers towards employment maximization, seeking out new approaches, such as maximizing employment opportunities for women?

Second, to what extent would Germany be advised to leave its manufacturing path? On the one hand, that economy continues to have clear competitive advantages in manufacturing, which are reproducing themselves in advanced high-tech sectors. On the other hand, this success has weak implications for employment. Is there a zero-sum relationship between success in manufacturing and success in services? And if so, is this true for both high- and low-productivity service activities?

In several respects my analysis has confirmed the viability of studies of national economies, as regions within the UK and (western) Germany were often found bunched together. However, the reality of elements of within-country regional diversity within national patterns should not be ignored. They provide hints of possibilities that are not necessarily inhibited by – as well as problems not solved by – national frameworks.

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