



European Jobs Monitor 2019: Shifts in the employment structure at regional level

Introduction

There is mounting evidence that economic differences between regions within the same EU Member States are growing. Some regions, generally capital city regions and larger metropolitan centres, are faring much better than other regions. These divergences, if unchecked, could undermine social and territorial cohesion. Growing interregional inequality is one factor that is leading to disenchantment with existing political systems, which in turn is weakening the social bonds that ground our democratic systems.

This report analyses shifts in the employment structures of the EU regions. Identifying these shifts in occupational and sectoral employment, and how these vary across regions, can help policymakers to understand how structural change contributes to unbalanced regional growth patterns.

The analysis compares patterns of employment growth and decline in four types of region: capital city, other largely urban, intermediate and largely rural. It covers 130 regions over the period 2002–2017 in 9 of the larger Member States: Belgium, Czechia, France, Germany, Italy, Poland, Spain, Sweden and the United Kingdom. These regions account for nearly four out of five EU workers.

Policy context

Regions have an important place in EU policymaking, notably in cohesion policy. They are the basic territorial units for the application of policies that account for nearly one-third of the overall EU budget. To date, the EU has been successful in its objective of reducing economic disparities between Member States. A combination of catch-up growth and regional policy has contributed to faster growth of GDP per head in central and eastern European Member States over the last 15 years, just as it enabled earlier accession countries such as Ireland, Portugal and Spain to converge economically with the founding Member States of the European Community.

However, in recent years, it has become apparent that the gap in the economic fortunes between regions within many Member States has been growing. Electoral patterns suggest that this is one of the factors fuelling the disenchantment of EU citizens with established political parties and the rapid emergence of populist alternatives adept at drawing electoral advantage from such disenchantment.

Key findings

Population and employment growth have been much stronger in the capital city regions of all nine Member States than in the other types of regions of the same country. In 2002–2017, employment grew by 19% in capital city regions compared to 10–12% elsewhere. This was reflected in a growing share of national economic output. The metropolitan areas of London, Paris and Stockholm accounted for at least 30% of the GDP of their respective countries.

Capital city regions are distinctive in that they have a very high share of employment in the service sector. These regions deindustrialised earlier and faster than other regions, with their early specialisation in services proving fortuitous in the context of the modern shift towards a service-based economy. Nearly 75% of national employment and economic output are now in services, but this share rises to 85% and above in many capital city regions.

In the nine Member States, employment shifts as a whole have been upgrading (more net new employment in well-paid jobs), accompanied by mild polarisation (somewhat greater employment growth in low-paid jobs than in mid-paid jobs). Nonetheless, capital city regions appear to be a significant vector of employment polarisation. They have disproportionately high shares of well-paid, high-skilled employment in knowledge-intensive services, but the shares of low-paid employment have also grown in most of the capital city regions over the period analysed.

Despite growing economic cleavages between capital city regions and other regions, there is evidence that employment structures at regional level are converging towards the average European employment structure. For example, the rapid contraction of the agricultural sector in Poland over recent decades and the corresponding growth of employment in manufacturing and especially services has been an important driver of upward convergence in that Member State. At the same time, regions within the same country are becoming more disparate in their employment structures, whereas differences between Member States are either decreasing or staying the same.

The countries and regions where employment in manufacturing has proven to be the most resilient (Czechia, Poland and some German regions) are those in which mid-paid employment has held up best.

Policy pointers

While the EU has been successful in reducing economic disparities between Member States, social inequality has continued to increase, and more recently, rising inequality between regions within countries has emerged as a public and policy concern.

Public investment, for example in the form of public services employment, plays an important role in supporting more regionally balanced growth, as jobs in education, health and public administration tend to have above-average pay levels and are more evenly spread geographically.

Regional mobility has been regarded as one antidote to unbalanced regional growth, with individuals encouraged to transfer from declining regions to higher-growth regions. However, this risks leaving unfavoured regions even further behind. The need for integration is just as great for regions as for individuals and is even more acute for those regions beset by industrial decline or depopulation.

Given the increasingly digital – and in many cases, location-independent – nature of much work, universal high-quality broadband availability is one obvious example of a policy that may contribute to the dispersal of labour activity. However, good-quality employment – often work that could, in principle, be carried out remotely or virtually – has, in practice, tended to cluster more and not less in large, urban, and often capital city, regions. Connectivity, while helpful, may only be one small part of the answer to the problem of regionally unbalanced growth.

EU regional policy should continue to assist unfavoured regions not to fall further behind regional powerhouses. Infrastructural investments provide the connective tissue strengthening linkages between different regions and region types. Human capital investments (for example, through the European Social Fund and European Globalisation Adjustment Fund) help individuals and companies in such regions to adapt to changing workplace needs. Such policies can mitigate the risks of the overconcentration of economic activity in some areas and territorial disconnection in others.

Further information

The report *European Jobs Monitor 2019: Shifts in the employment structure at regional level* is available at <http://eurofound.link/ef19036>

Research manager: John Hurley
information@eurofound.europa.eu