

Where are all the good jobs?

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Agglomeration effects in capital-city regions concentrating good jobs may be feeding political discontent beyond them.

Economic disparities have been decreasing between European Union member states over the past decade. But inequality has been rising within them and the gap in wealth and incomes between the rich and poor is growing in most of Europe.

Some of this rise has been attributed to increasing returns to education, pushing earnings up faster for those in jobs requiring higher levels of education while wages stagnate for the rest. But increasing inequality is not just a matter of skills—it also relates, among other things, to where one lives.

In a recent joint report, researchers at Eurofound and the European Commission Joint Research Centre demonstrate large and, in some cases, growing differences between employment structures at the regional level. The analysis looks at shifts in sector and occupational employment composition in nine larger member states (and 130 regions) between 2002 and 2017.

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Columnist for *The Guardian*

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Capital-city regions

A key finding is that capital-city regions are generating a disproportionate share of new employment in well-paid jobs in most member states (see chart). Employment is growing faster in these regions, as is job quality—as shown by the growing share of net new employment in well-paid jobs.



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Employment share (%) by job–wage tercile and settlement category



The advantages of large capital-city regions are abundant, as centres of learning and entertainment as well as political power and decision-making. These have tended to more than match any disadvantages, in terms of cost of living, cost of labour or congestion. The largest metropolitan areas benefit in particular from ‘thick labour markets’, with the opportunities provided by a variety and volume of firms and employers, a matching variety and volume of qualified workers and all in close proximity.

Importantly, these advantages tend to be self-compounding. The things that attract firms and people to big cities in the first place are boosted in turn by further agglomeration.

And this has been especially true of service-sector employment. Services account for just over seven in ten jobs in the EU overall but as much as 85-90 per cent of employment in some highly urbanised regions. Many of these are professional, knowledge-economy jobs, requiring high levels of education. There are, for example, almost twice as many employed in such skill-intensive sectors as financial services, information/communication and professional/scientific services in capital-city regions as in others.

Employment shares

Indeed, this growth of capital-city regions appears to come partly at the expense of other regions, including other urban regions, in the same country. The growth in the national employment shares of London and Brussels, for example, mirrors a decline in the shares of other largely urban regions in their respective countries.

Economic dynamism appears to be waning in some second cities and other regional urban centres, just as it accelerates in capital-city regions. And in many member states retrenchment in the public sector—on which regional labour markets have traditionally

been more reliant—has sharpened this divide. These developments can feed perceptions that capital-city regions are benefiting from globalisation and technological change, while the same forces are perceived to undermine the social and economic fabric outside the capitals.

Unbalanced regional growth is likely to be one of the factors contributing to social and political polarisation—most evident in the emergence of nationalist, nativist and populist political parties in many member states. The new report suggests this is not only a cultural or political phenomenon. It may indeed have roots in the emerging geographical division of labour within advanced economies, and the unequal distribution of the benefits of the ‘services shift’ and the digital revolution, as well as in the uneven regional effects of austerity policies in recent years.

The views expressed in this post are those of the authors and cannot be taken as representing the official position of the European Commission or Eurofound