Employment and pay in Europe and the US, food for thought about flexibility and the European Social Model (LEVEL ONE)

Wiemer Salverda

(por aparecer en: Unwrapping the European social model , M. Jepsen y A. Serrano (eds) Bristol: Policy Press)

Introduction (LEVEL TWO)

The aim of this contribution is to shed some light on the European Social Model (ESM) by approaching it from the perspective of employment, or the economy more generally, but also from that of comparison with the US. The approach raises the question of what the model stands for as well as the nature of its effects. Analysis of the latter aspect may help to improve knowledge of the former, thus serving as a heuristic device. But there is more to it than that. One cannot fully know and understand a model by looking at its institutions and taking them at face value, as international comparisons often tend to do: beyond the rules as they exist on paper, the effects too are part and parcel of a social model. A good example here is the minimum wage. The US has had this institution since the 1930s and some European countries still do *not* have it; and yet, regulatory influences on low wages may be more important in the latter. There are two issues at stake here: first the 'bite' of an institution is important and, secondly, other institutions or arrangements and provisions may have the same or equivalent effects. What is more, the effects are at the heart of political concerns regarding the ESM – for, after all, who would bother about a model if it had no effects? The main political concern is that the ESM would unduly restrict economic development and therefore does not serve the population well. In addition to this, a model (social or otherwise) that is considered to be linked to a geographical area (Europe in this

case) may – in the view of this author at least – best be analysed in a comparative fashion. I believe, in particular – and this is where the comparative perspective comes in – that it is most important to see whether, and where, the ESM differs from the US model. The latter is usually thought to be an economic model with (negative) social consequences and, similarly, the European social model is believed to have (negative) economic consequences. Behind this is the question of whether the ESM denotes a model that really is shared by the European countries and whether perhaps it may even transcend them. Rules and regulations that are developing at the European level are discussed elsewhere in this volume. The comparative perspective can help to better identify the effects of a model and may also improve perception of what features actually are shared by existing national models in Europe. Though the latter is not the focus of this contribution, it is an issue upon which I will touch when necessary.

The concern with ESM has arisen largely on account of the employment gap that has opened up between the European Union (EU) and the US in recent decades. The popular view is that hiring-and-firing rules, as well as wage-setting, are insufficiently flexible in the European economies to allow employers to create new jobs to the same extent as in the US. European social regulations are seen as employee-friendly, and therefore as standing in the way of 'healthy' economic change. In that sense the ESM has essentially negative connotations. For the same reason it is advisable to start out from the effects when analysing the ESM. The evolution of the gap and its understanding were the subject of a recent international research project on demand patterns and employment growth[1] and this contribution draws heavily on its results.

Table 1

For the purposes of the comparison, the project took five European economies together: Germany, Britain, France, the Netherlands and Spain. Here we will consistently take the first four of these (denoted as EU4), leaving out Spain because both its model and stage of development deviate from the predominant trend, and also because the statistical data available were insufficient for the purposes of the analysis conducted here. Generally speaking, Germany, France and the Netherlands are considered the heartland of ESM. The EU4 countries together account for almost 60% of the working-age population of EU15 and for slightly over 60% of its GDP. Apart from this quantitative aspect the choice of these four also ensures the inclusion of low- as well as high-employment EU member countries. Using EU4 will ease the presentation, but, beyond that, the use of the aggregate can be justified from the standpoint of a proper comparison with the US. The usual focus is on individual countries, and we all know that significant differences occur between them, but this may rest on the mistaken idea that the US is a uniform economic entity on an equal footing with individual European countries, as if the latter had not become increasingly integrated economically as a result of the European Union. In actual fact, disparities within the US are comparable to within the EU4 (see Table 1).

The first step will be to describe the international employment gap – its size and properties, to provide a first basis for understanding it. Secondly, attention will be focused on the principal difference, asking how it may relate to the ESM, especially in relation to social regulation, in other words, the role of pay

(equality). The main conclusion is that the employment gap has little to do with a lack of flexibility on the European side. First, a very rapid restructuring of industrial employment occurred, which boosted productivity and was facilitated by the ESM. Secondly, no proof is found that the core of the employment divergence, which is in market-provided consumer services such as retail and hotels and catering, can be linked to a compression of wages in Europe as a result of wage regulation for social purposes. Instead it relates to a strong divergence in per capita income, relating in turn to a shortening of working hours and to strong wage moderation in the European countries. If anything, these two factors may be essential defining elements of the ESM. As to the shorter working hours, it should be asked whether Europeans appreciate 'leisure' time more or whether they feel constrained with regard to the choice of working hours. Insofar as the former is the case, it may be valued as a positive feature of the ESM. The second factor, wage moderation, would seem to be motivated by the mistaken fear that inflexible wages are responsible for the employment gap. Yet moderation seems to be, on the contrary, questionable, on account of the potential downward effect it can have on employment.

Growth and nature of the employment gap (LEVEL TWO)

As noted above, we focus on four EU countries: Germany, France, the UK and the Netherlands, taking this aggregate to represent 'Europe' in comparison to the US. Population growth and, in its wake, employment growth differ substantially between countries and any international comparison should be made on a per capita basis. Looking at employment (see Figure 1) we find that at the start of the 1970s Europe had a higher employment rate (68 %) – the ratio of employment to

the population of working age between 15 and 64 years (henceforth EPOP) – than the US (64 %). The European EPOP stagnated during the 1970s while the US rate gradually climbed.

Figure 1

Figure 2

Figure 3

The employment crisis of the early 1980s hit Europe much more than the US and, though the evolution was basically parallel, US employment growth remained slightly faster until the mid-1990s. Thus in the space of just a few years a substantial employment gap (indicated by the solid arrows) opened up to a maximum of 8.5%. Contrary to common views, European employment rates have developed more favourably since the mid-1990s, diminishing the gap to 6%, particularly during the most recent years. On balance, an employment gap of 10 percentage points developed between 1970 and 2003, changing from a +4% advantage to -6% disadvantage for Europe. It can be observed that more than one third of this increase relates to the decline in self-employment in Europe.

An estimation of the employment volume measured as hours worked per capita shows that the EU shifted from a larger advantage to a much larger disadvantage (see dotted lines and arrows in Figure 1)[2]. This should be kept in mind in the rest of this section where all data will be on a head-count basis because proper detail on hours is lacking.

Europe may have a high rate of unemployment measured in relation to the labour force (8%) but at present this comes on top of a sustained rate of employment, while the US employment rate shows a clear decline. Consequently, the gap in unemployment rates is smaller when expressed on a per capita basis (UPOP) than on the traditional basis which takes unemployment relative to the labour force. The difference amounts to about 1% at the present time (see Figure 2).

The US employment advantage looks very impressive and is often felt to be economy-wide. However, significant differences occur between the US and Europe in relation to the same individual sectors of the economy. Figure 3 decomposes the gap shown in Figure 1. In 1970 Europe had a large advantage in industry[3] and a smaller one in agriculture. The figure clearly shows how this lead dwindled very rapidly. At the end of the period Europe still has an advantage over the US in industry, where the employment gap does not apply. The rapid decline points to a substantially faster increase in productivity in Europe until the mid-1990s up to a level that is roughly equal to the US. It also testifies to great flexibility of the European work force as the process moved faster than in the US in previous years[4]. Many lost their jobs, particularly older men, but social security provided a safety net for most.

Figure 4

Figure 5

Figure 6

A similar development occurred in agriculture. This sector is responsible for over half of the above-mentioned contribution of declining European self-employment to the widening of the gap. Nevertheless, Europe has no employment gap for this sector.

This leaves the services sector as the sole location and cause of the employment gap. It is important to note from the figure, however, that in this sector the employment gap is a longstanding phenomenon. Already at the start, in 1970, US employment in services had a 7 percentage-point edge over Europe. This gap then widened to some extent, subsequently declining again to 8% – only one per cent more than at the outset. Over the period employment in services grew dramatically on both sides of the Atlantic, from 38 to 54% in the US and from 32 to 47% in Europe. European services would appear to have developed basically in parallel to the US, lagging just a little behind. Viewed within the European economy, the 15 percentage-point growth of services more than offset the 10 % decline of industry and agriculture, though naturally the service-sector jobs are often quite different in nature (and more often part-time). To compensate for the industrial decline and still attain US employment levels, European services would have had to grow at a pace without parallel – even in America – in recent economic history.

It is important also to effect a breakdown of the service sector to see whether the concentration of the employment gap is a general phenomenon or relates to particular services. Figure 4 indicates that even within the service sector the gap is strongly skewed, being concentrated – almost equally – in two industries, namely,

community and personal services – which include education and health care[5] – on the one hand and trade and hotels & catering on the other. These provide what can be loosely termed 'consumer services'. Again this part of the gap is large – almost 12 percentage points in the early 1990s – but also rather steady over the period, contributing 2% to the 10% increase over 1970-2001. The major part of the consumption gap was already present at the start.

By contrast, 'business services' (equally loosely defined) are provided by transportation and communication on the one hand and financial and business services proper on the other. The former industry consistently shows no gap, while the latter developed a limited gap up to a maximum of 2.5% in the late 1980s. This subsequently disappeared and was recently changed into a small European advantage.

From a slight disadvantage US women took the lead and have been contributing substantially to the employment gap. At this moment women make a larger contribution to the gap than men, though the male change over the period was somewhat larger (5.4 as against 4.4 %[6]), and as a whole women's gap grew by 4.4 percentage points (men 5.4%). However, it is important to note that this larger disadvantage of European women is not because they are less often employed within the sectors of the economy concerned. Rather, it follows from the skewed composition of the economy. In services as well, as the rest of the economy, the role of women is virtually identical between Europe and the US – in European consumer services their role is even slightly larger. Because the female role is substantially larger in services than in the rest of the economy and the share of

services is smaller in Europe, women on balance play a substantial role in creation of the employment gap.

We have taken the four European economies together to facilitate a concise presentation. Naturally, important differences in economic development and structure do occur and the social models are by no means uniform. However, it should be added that the range of differences, economic as well as social, is limited and partly rests on complementarities that reflect the high and increasing level of economic integration. For instance, financial services naturally have a large share in Britain and manufacturing in Germany but the same holds within the US – the New York economy cannot possibly be taken to represent the US economy as a whole. For EU4 as a whole the employment gap grew by 10 percentage points but this varied by plus or minus 2 points for Germany, France and Britain taken individually. Much of this mutual difference is attributable to the decline of German and French agriculture (and the corresponding loss of self-employment). By contrast, British industry underwent a more massive restructuring. The Netherlands had a 2% increase only – plausibly because of its part-time job growth. In spite of the mutual differences it can be concluded that the US-European employment gap is a very particular phenomenon. It looks entirely different depending on whether it is regarded from a static or a dynamic perspective, but in both cases it is strongly skewed. Statically, it does not apply to industry and agriculture, but is fully concentrated in services, and within services it is fully concentrated in two industries that mainly cater to the needs of consumer households: community and personal services and trade and hotels and catering. Dynamically, however, the evolution of the employment gap is entirely

attributable to European industry and agriculture: their decline served to expose the gap in consumer services which was there from the beginning. The speed of the job restructuring behind this decline was unparalleled and it should be mentioned that its social consequences seem to have been dealt with quite adequately by social measures.

The role of ESM (LEVEL TWO)

Though the gap is not universal but specific, a universal social model, that is, one that applies economy-wide, may still be responsible because it can affect sectors differently insofar as they are differently organised and/or because the model contains specific features that affect some sectors more than others. For example, a sector may be more sensitive to effects of social protection and regulation of wages because both these effects concern a particular range of (low) earnings and such earnings occur more frequently in the sector in question. This can apply, in particular, to low-paid consumer services which may be subject to the effects of minimum wages, collective labour agreements and other constraints on wage inequality. Indeed, European countries, particularly the continental ones, have substantially less low-wage employment than the US. Figure 7 indicates that the total gap is virtually accounted for by a gap in low-wage employment. It shows that this also holds for low-paid services (retail trade, hotels and catering). However, before drawing over-hasty conclusions, it should be noted that the white bars show that the total employment gap also largely overlaps with a gap in high-wage employment. In other words, a European advantage in the intermediate range of wages compensates for much of the two gaps at the low and high endFOOTNOTE1.

However, by focusing on wages one may be selecting specific features of the social model while disregarding others. Employment protection is also seen as stricter in Europe than the US, but compared to the minimum wage its applicability is so universal that it seems unlikely that it would affect one sector so much more than another – be it services in the static view (let alone consumer services in comparison to business services) or industry in the dynamic view.

It is no accident that the specific wage-determining features tend to combine with specific services as the usual focus of the political debate. In general, the decline of industry and agriculture is considered a good thing, since it boosts competitiveness and productivity, and not as a failure of employment protection; on the contrary, massive dismissals have been facilitated by social safety nets[7]. The spectacular improvement of continental European international trade balances since the early 1980s provides a strong argument of competitiveness. Figure 1 illustrates these lines of thought.

The double-sided nature of the gap complicates the issue of how the European Social Model can be held responsible for the employment performance of the European countries, even more so as the static gap is in itself also two-sided, comprising as it does low-paid trade, hotels and catering on the one hand and high-paid community services on the other. In retail and hotels and catering the frequency of low pay, defined as either being in the lowest decile or below two thirds of the median of the national wage dispersion, is two or three times higher than average whilst in education and health the frequency is often far below average (see Table 2). In addition we know that health care and education are

subject to public regulation in all five countries, albeit to strongly varying degrees. This makes them difficult to compare internationally but also diminishes the potential contribution of social regulation on employment in this sector. Low-paid consumer services, by contrast, are fully market-oriented in all countries, European as well as US. They will be the focus of the rest of this contribution.

It would appear that per capita employment in retail, hotels and catering (measured in terms of hours worked to correct for the significantly diverging incidence of part-time jobs) is far and increasingly below the US level (Figure 8). Around 2000 France and the Netherlands were close to just about half the US level. In France this may be to some extent attributable to a higher level of productivity[8], but even there the decline in the employment rate that occurred since the mid-1980s was accompanied not by growing but by stagnating and ultimately declining productivity relative to the US (Figure 9). In contrast, the low level of demand for these services (Figure 10) is much more likely to aid understanding of the low employment level. Indeed, per capita demand for these consumer services is, again, not much more than half the US level. Such a demand gap is found from the outset and is consistent with the long-run employment gap for services detailed in the previous section.

The low level of demand might naturally be attributable to higher costs experienced by the sector. Though this could be true to some extent, it does not by itself signify that those higher costs result from the need to pay higher wages because of social regulation. Other factors may be responsible, such as indirect taxes, but these are not commonly perceived as part of the social model even

though, somewhat ironically, they *are* a common feature of the European countries.

Figure 7

Scheme 1

Table 2

If wages are high relative to other wages in the economy, it will be more costly to the general public to buy these services. To verify the potential effect of wages it is important to consider the structure of wages in the low-pay sector compared to the rest of the economy, this means to establish whether people – personal characteristics of age, gender and education, as well as type of job, being equal – receive a penalty or premium for working in this sector rather than elsewhere. Table 3, panel A, shows the results of estimating these penalties for the retail industry at three different levels of the wage distribution – from down at the second decile (20 % of workers earn less) to up at the eighth decile (20 % earn more). The general finding is that substantial penalties do occur but also that they are more important higher up the distribution than at the lower end. Notably, the US second-decile penalty does not exceed the European (except for France), while for higher wages it tends to do so. No convincing evidence is found that, compared to the US, Europe is substantially lacking flexibility in the structure of individual wages. Statutory minimum wages or minimum collectively agreed rates appear not to stand in the way.

The right-hand panel B of the table[9] takes the argument one step further. In addition to rewards effects (pay penalties or premiums), composition effects are shown here. They indicate the effects, in terms of pay structures and the resulting wage costs, of a different composition of the work force between sectors. It can be seen how the pay bill in retail is reduced by hiring a higher proportion of workers with 'low-pay characteristics' compared to the rest of the economy. The composition contribution to the interindustry difference in wages appears to be quantitatively more important than that of the rewards, especially in the US, the UK and the Netherlands. The rationale of the distinction between rewards and composition is that enterprises, given the wage structures they face, can adapt the composition of their work force to obtain lower wages compared to other sectors. In this respect, panel B also indicates the role of part-time workers. Generally, their pay penalty compared to full-time workers is rather slight but, by contrast, their role in the composition effects is highly significant. Their presence or absence largely explains the international differences in composition effects as well as in the total wage effect, for example, between France and the US. The limited role of part-time employment in France and Germany, compared to the other countries, is a different matter, on that relates perhaps more to general views on paid labour and labour market participation (especially of women) than to social provisions, on the supply side, and to the way employers like to organise the work, for example, in the

Figure 8

Figure 9

Figure 10

large stores ('*hypermarchés*') in France, on the demand side. The fact that in this sector Europe women are equally represented, as compared with men, seems to point more to a lack of opportunities than to a lack of supply.

These issues are not at the core of the ESM. A more general implication is that firms are not necessarily constrained by individual wage (in)flexibility. If a country has a tighter dispersion of wages, there can still be room for manoeuvre by adapting the composition of the work force.

The conclusion as to the relation between the US-European employment gap and the European Social Model is that, even where one would expect ESM to have the strongest effect, namely in low-wage market-provided consumer services, there is no proof that the employment gap relates to social provisions.

Table 3

Concluding observations (LEVEL THREE)

The author has argued that the US-European employment gap provides an important test for the presence and effects of the European Social Model. First, it was shown that the employment gap is strongly skewed, being fully concentrated in consumer services, while agriculture and industry and notably also business

services in Europe fully match the situation in the US. This particular gap, which comprises trade, hotels and catering, personal services and community services such as health care and education, is of long standing but became exposed as a consequence of the drastic decline in employment in European industry in recent decades that negated a large European employment advance in industry and agriculture – to the benefit of European productivity which was lifted to the US level and competitiveness in international trade that exceeds the US level. Generally speaking, European services grew at a similar speed as US but not enough to compensate for the decline in other sectors. The skewed nature of the gap points away from a role of inflexible wages and employment protection – with economy-wide effects – as a potential explanation. If anything, it points in the opposite direction. The ESM's employment protection and social benefits supported a very drastic restructuring of industry, at a faster speed than witnessed by the US in the preceding period and without much social upheaval.

While the ESM's regulation of low wages may play an explanatory role, further scrutiny of that issue, focused on low-wage market-provided consumer services where the bite of such regulation should be most severe, showed no lack of wage flexibility for low pay compared to the rest of the economy in Europe compared to the US. Low-wage institutions are not the explanation – there is sufficient wage flexibility in the structure of individual rewards. Beyond this, firms can also adapt the composition of their work force (especially by means of part-time employment) to achieve lower wage costs; this they have done to differing extents across the European countries. If the European Social Model is equated with stricter, inflexible regulation of low wages and employment protection compared

to the US, it is clear that the ESM cannot explain the lagging behind of European employment, irrespective of mutual differences between the four European countries – Germany, France, UK and the Netherlands –which were taken here as *pars pro toto* for Europe.

This finding naturally raises the question of what *can* then explain the employment gap. We have seen that consumer demand for services is lacking in Europe. Such demand is mainly generated in the rest of the economy and what happened there seems important for a proper understanding. This brings us to general wage restraint, which may, in actual fact, be an important feature of the ESM to the extent that it is shared by the continental European countries. Figure 11 shows the strong parallel between the evolution of the share of wages in GDP and that of individual consumption, in comparison with corresponding trends in the US. Clearly the two gaps have grown substantially since the early 1980s. European wage shares fell while in America they remained roughly constant; the US consumption share grew strongly while in Europe it remained roughly constant. A fall in the wage share comes about when the increase of real wages lags behind productivity growth, a development illustrated by Figure 12. The Netherlands started this type of wage moderation – even before it was laid down in the Wassenaar Accord of 1982 – and was followed later by other countries, especially France and to a lesser extent Germany[10]. The wage restraint in these countries was significantly stronger than in the US, while the UK presents a mixed picture. It would appear that aggregate wage flexibility in Europe has also been substantial – but not as a free lunch, as it seems to have come at the cost of a lack of demand.

The conclusions are that, whatever the characteristics of the European Social Model may be, they are not inflexible hiring and firing or insufficiently flexible aggregate wages and low wages; that firm-level wage flexibility can go well beyond the social regulation of wages; and that such flexibility – read wage moderation – can carry a cost and does not automatically guarantee job growth. Europe is more flexible than many seem to think. By contrast, the US model convincingly demonstrates the importance of demand for employment growth, during the strong 1980s and 1990s as well as in the recent years of jobless growth and the Wal-Mart type restructuring of low-wage consumer services.

The downward effects of wage restraint have been reinforced by the shortening of working hours in Europe. This is yet another feature of the ESM and one that – with the vast array of working hours on which employers and employees can nowadays conclude agreements – can hardly be said to testify to a lack of labour market flexibility. It is imperative to ascertain, by means of further research, whether the shortening of working hours and the expansion of part-time employment– notably advocated by the Kok report of 2003 to bring EU employment growth back on the track of the Lisbon strategyFOOTNOTE2 – reflect genuine preferences or whether they represent constraints on labour supply and demand. If Europeans do indeed value leisure more than US citizens, this should be appropriately regarded as an economic achievement and accepted as a trade-off against lower employment rates.

Figure 11

Figure 12

FOOTNOTE1

Salverda *et al.* (2001) shows these effects in great detail. For a summary see Salverda *et al.* (2001a)

FOOTNOTE2

Compare Salverda (2004) for a critical appraisal of the report

References

Glyn, A., Salverda, W., Moeller, J., Schmitt, J. and Sollogoub, M. (forthcoming) 'Employment Differences in Services: The Role of Wages, Productivity and Demand', in Salverda *et al.* (forthcoming); also available as Working Paper #10, DEMPATEM project, http://www.uva-aias.net/lower.asp?id=30&lang=en

Glyn, A. and Erdem, E. (2000) 'Employment Growth, Structural Change and Capital Accumulation', in T. ten Raa and R. Schettkat (eds) *Services: High Costs, Strong Demand*, Edward Elgar.

Salverda, W., Schettkat, R. and Gregory, M. (eds) (forthcoming) *The American-European Gap in Service Demand and Employment*, Princeton University Press

Notes

[1] Demand Patterns and Employment Growth (DEMPATEM), which I coordinated together with Ronald Schettkat. It was financially supported by the EU's Fifth Framework Programme. See http://www.uva-aias.net/lower.asp?id=82&lang=en&menu=LoWER, and Salverda et al, forthcoming – in particular Glyn et al. Unless otherwise indicated figures and tables are taken from this research which was based on OECD Labour Force Survey data, supplemented with STAN and national data if necessary (in the 1970s).

[2] Measured against a full-time equivalent working-age population of 52 weeks times 35 hours annually. Use was made of the OECD's annual hours database. These hours data must be used with caution.

[3] Manufacturing, utilities, construction and mining.

[4] Cf. Glyn and Erdem (2000).

[5] The government sector is also included with exception of the armed forces.

[6] Compared to the initial level the female change contributed more than that of men.

[7] Salverda *et al.* (2001) shows these effects in great detail. For a summary see Salverda *et al.* (2001a)

[8] The UK with supposedly poorer social provision saw an increase in self-employment in the 1980s, against the trend, followed by a stronger decline than elsewhere in the 1990s. Notably it was also the only country witnessing a decline in employee EPOPs between 1970 and 2001.

[9] Measured as the volume of goods, normalised across countries with the help of purchasing power parities in 1999, over hours worked in the sector (cf. Glyn et al., forthcoming)

[10] A different estimation technique explains that the rewards effects deviate from those shown for decile 5 in panel A.

[11] Productivity equals the volume of GDP divided by all hours worked including self-employed. The wage share in GDP is closely related; it shows a less favourable evolution for wages in recent years than shown here.

[12] Compare Salverda (2004) for a critical appraisal of the report

Wiemer Salverda

List of graphical objects

Table 1 Regional labour-market disparities in the USA and Europe, 2003

Rates to population (%)	Employment	Unemployment
USA		
across 50 states and Washington DC (excl. Puerto Rico)		
non-institutional population aged 16 and over		
lowest	51.8	3.5
highest	71.5	8.1
highest – lowest	19.7	4.6
EU4		
across 40 regions (excl. French overseas departments)		
population aged 15 and over		
lowest	44.9	2.1
highest	63.4	11.9
highest – lowest	18.5	9.8

Sources: BLS, News 10 March 2005, and Eurostat, Table *LF2EMPRT*, website extraction August 2005

Figure 1 Employment-to-population (15-64) ratios, head-count and hours-count, USA and EU4 (EPOP %), 1970-2003

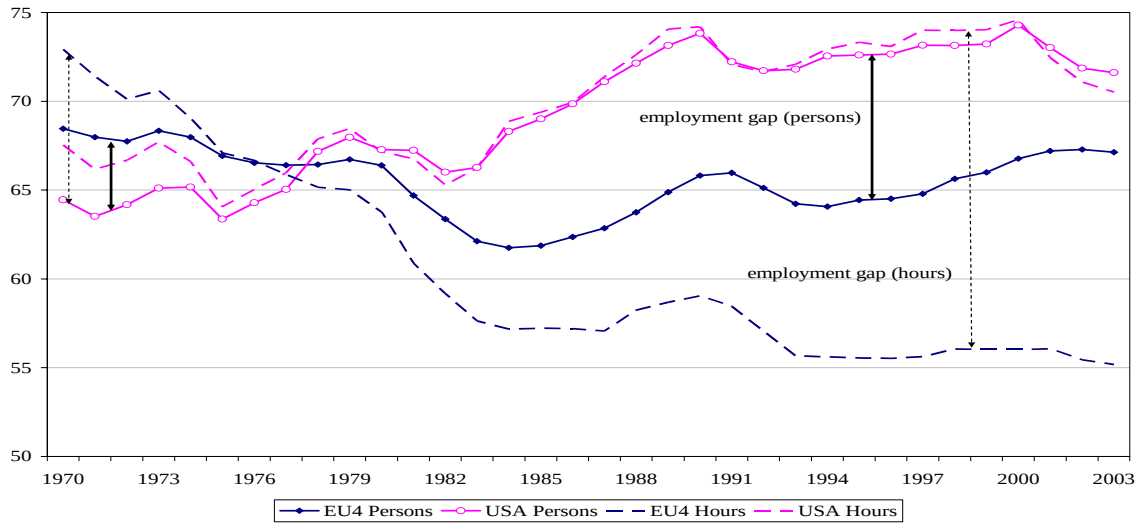


Figure 2 Unemployment ratios to labour force (Urate) and working-age population (UPOP), USA – EU4, %, 1970-2003

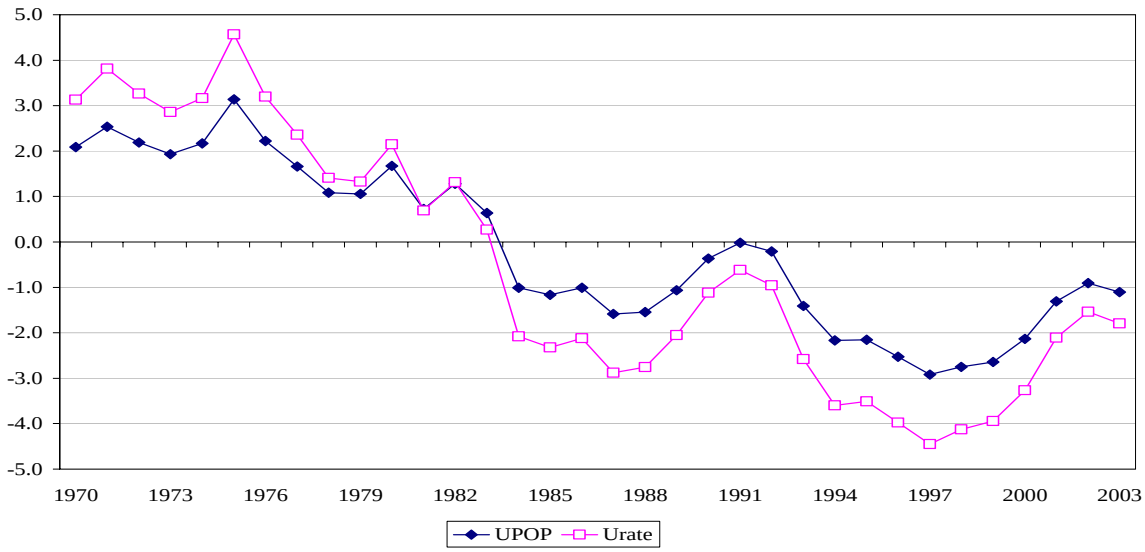


Figure 3 Composition of the USA-EU4 employment gap by major sector (EPOP %), 1970-2002

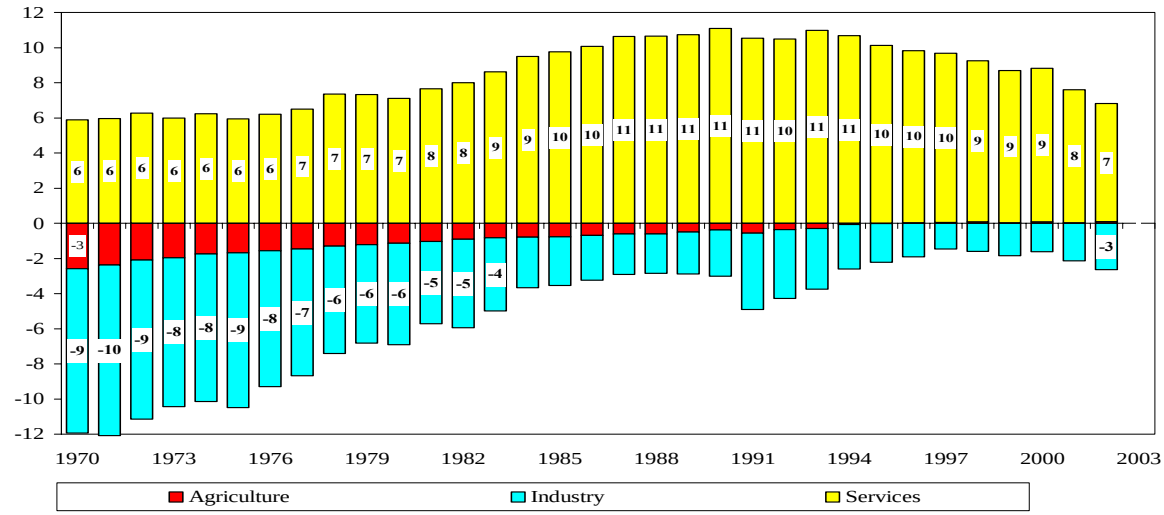


Figure 4 Composition of the USA-EU4 employment gap in services by major industry (EPOP %), 1970-2001

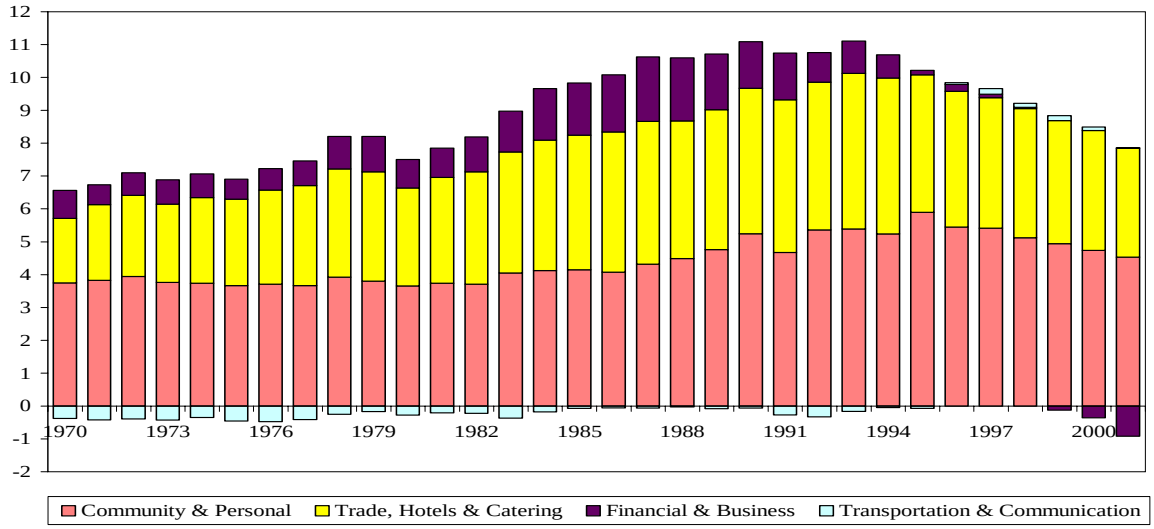


Figure 5 Composition of the USA-EU4 employment gap by gender (% total EPOP), 1970-2003

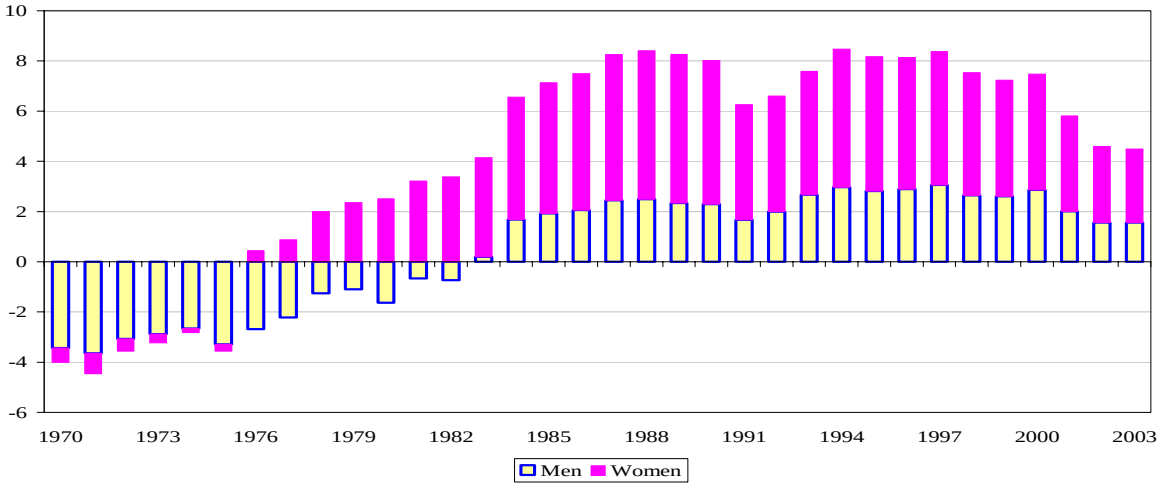


Figure 6 Female shares in employment in two broad sectors (% of sectoral employment), 1970-2002

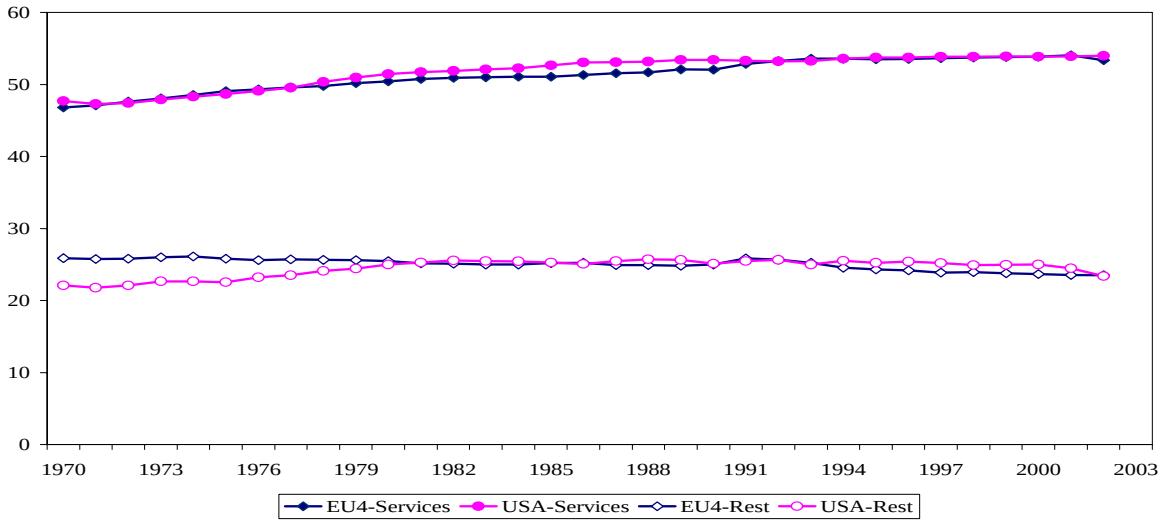
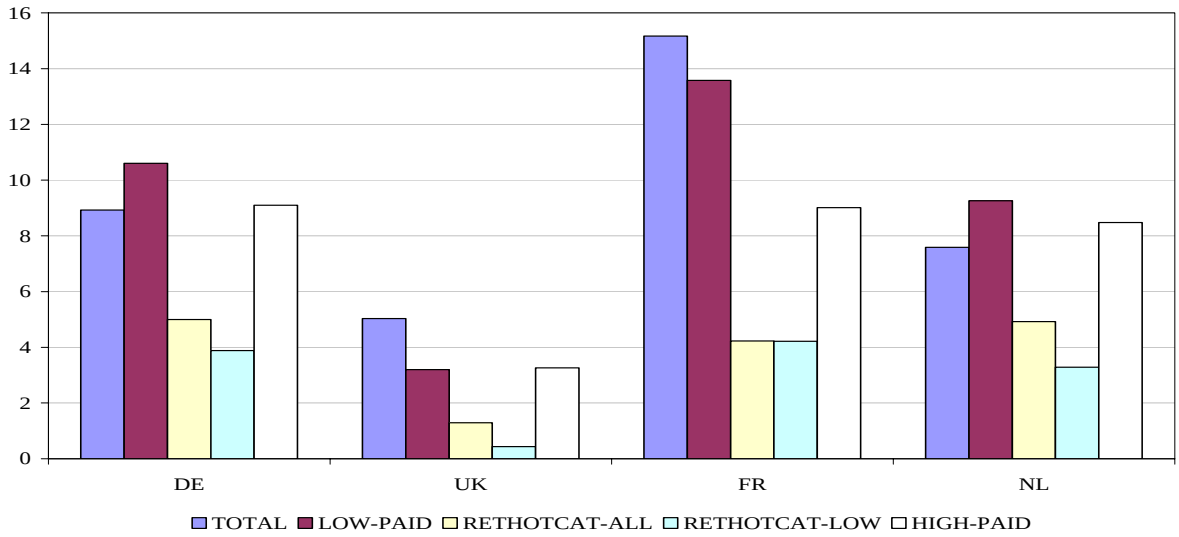


Figure 7 USA-EU4 Employment gap by level of pay and for retail. hotels and catering (full-time equivalents), 1996



Source: Salverda *et al.* (2001)

Scheme 1 Employment gap and the social model

			employment gap	
			static	***dynamic***
			skewed to consumer services	decline of industry and agriculture
social model	***general***	employment protection	no skewed effects to be expected	
	specific	minimum wage, collective agreements, social benefits	combined effect of low pay in the sector and effects of social model on low earnings	*instead effects of economic change aiming to increase productivity, socially enabled by benefits*

Table 2 Concentration ratios of low hourly pay to national average = 100, 1996

	pay in lowest decile					**pay ≤ two-thirds of median wage**				
	US	**DE**	**UK**	**FR**	**NL**	**US**	**DE**	**UK**	**FR**	**NL**
Retail	192	201	215	202	291	178	201	204	197	277
Hotels & catering	323	485	420	357	260	237	413	307	394	239
Education	78	58	39	79	14	73	49	49	85	17
Health care	96	129	67	99	58	103	145	89	105	69

Source: Salverda *et al.* (2001), Table 58.

Figure 8 Trade, hotels and catering, hours worked per capita (15-64), USA=1, 1970-2003

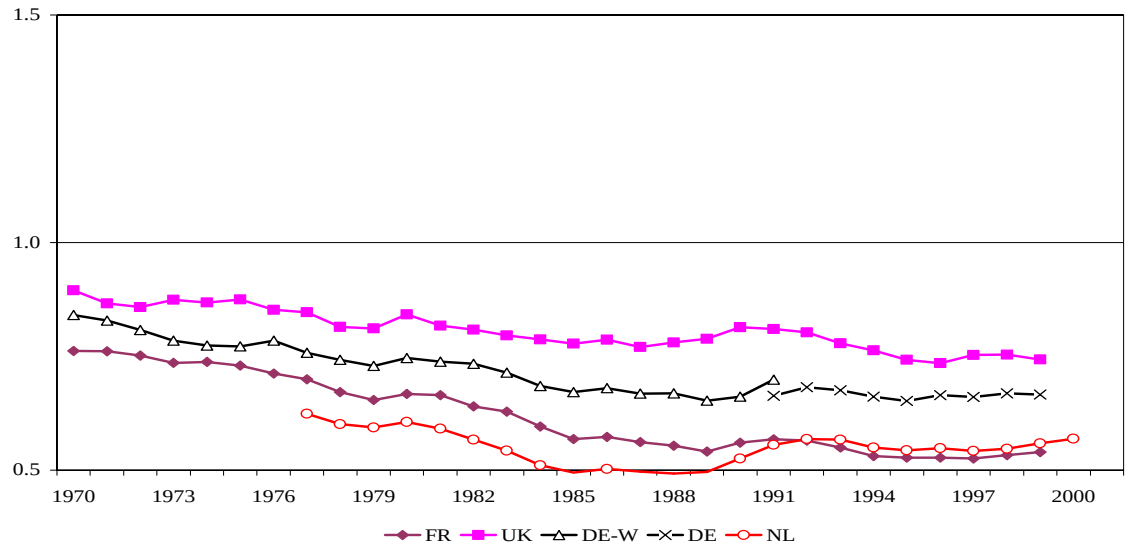


Figure 9 Trade, hotels and catering, labour productivity per hour worked, USA=1, 1970-2003

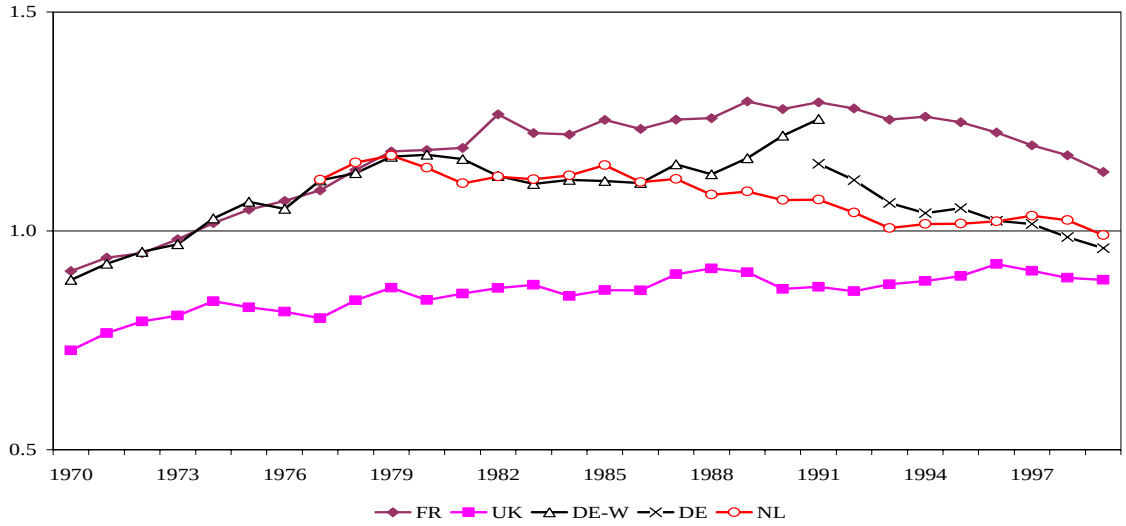


*Table 3 Structure of hourly wages in retailing relative to the rest of the economy**

A. Pay penalties (%) by decile level of the wage distribution				B. Rewards and composition effects in pay penalties at median wage**			
	end-1970s	end-1980s	mid-1990s		Rewards	Compo-sition	Total
USA	1979	1990	1997	**USA**			
Decile 2	-0.083	-0.154	-0.125	1997	-0.22	-0.23	-0.43
Decile 5	-0.125	-0.179	-0.180	part-time	-0.03	-0.15	-0.20
Decile 8	-0.132	-0.181	-0.192				
DE-W	1979	1990	1997	**DE-W**			
Decile 2	-0.168	-0.144	-0.117	1997	-0.13	-0.17	-0.29
Decile 5	-0.167	-0.147	-0.128	part-time	-0.00	-0.11	-0.12
Decile 8	-0.150	-0.151	-0.150				
UK		1989/90	1998/01	**UK**			
Decile 2		-0.138	-0.138	1998/01	-0.17	-0.43	-0.56
Decile 5		-0.197	-0.194	part-time	0.00	-0.25	-0.24
Decile 8		-0.217	-0.235				
FR	1982	1991	1995	**FR**			
Decile 2	-0.079	-0.088	-0.076	1995	-0.13	-0.12	-0.24
Decile 5	-0.118	-0.114	-0.123	part-time	-0.02	0.00	0.01
Decile 8	-0.138	-0.111	-0.143				
NL	1979	1989	1996	**NL**			
Decile 2	-0.121	-0.144	-0.187	1996	-0.16	-0.38	-0.55
Decile 5	-0.143	-0.156	-0.178	part-time	-0.02	-0.16	-0.20
Decile 8	-0.159	-0.148	-0.162				

* Excluding hotels and catering

** Interaction effects not shown; they are generally small.

Figure 10 Trade, hotels and catering, goods consumption volume per capita, USA=1, 1970-2003

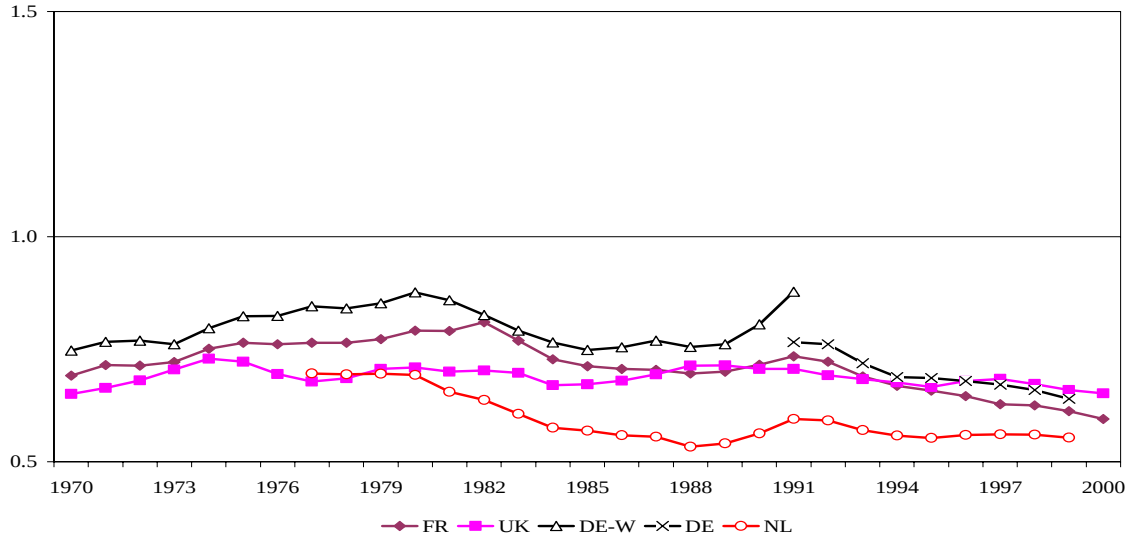
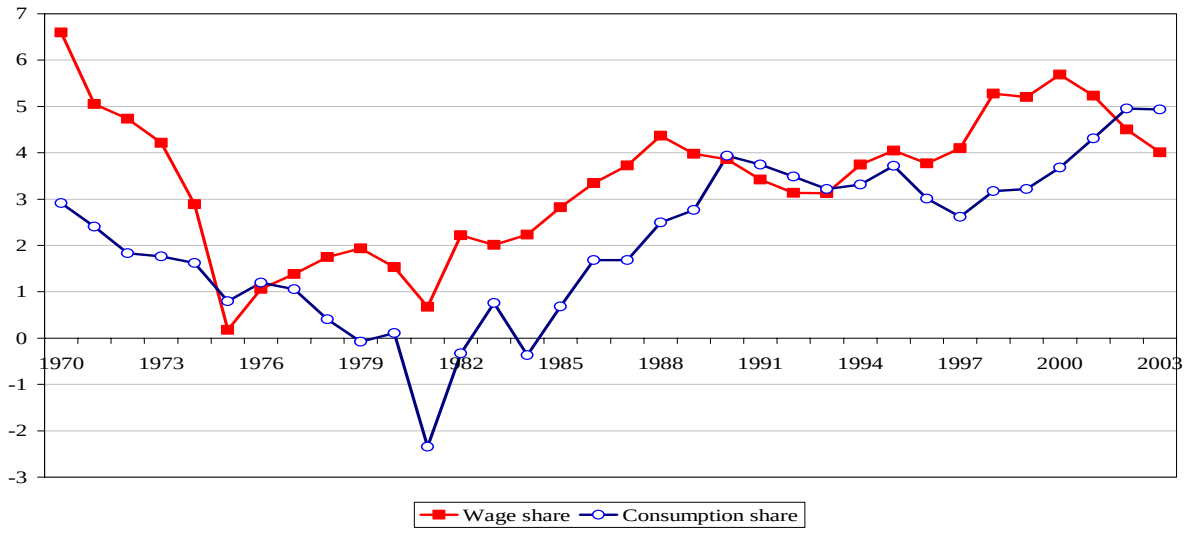
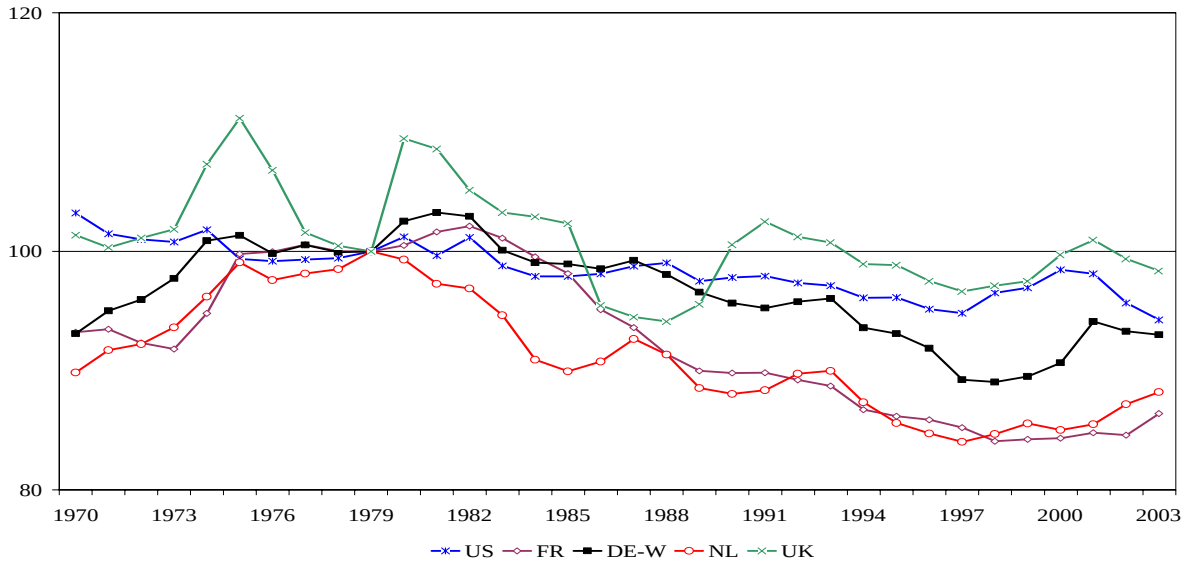


Figure 11 USA-EU4 gaps in the shares of wages and individual consumption in GDP, percentage points, 1970-2003



Source: SourceOECD, National Accounts

Figure 12 Real hourly wages to hourly productivity, 1979=100, 1970-2003



Source: SourceOECD, National Accounts