Producer services research in Europe

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Four directions in producer services research in Europe are identified: the economic role of producer services for urban and regional development; the location of advanced producer services; the role of regional structures and innovative "milieux"; and local development and labor markets. Issues for future research include the role of producer services in the urban restructuring and/or restructuring of world cities; the relationship between services and interregional disparities; the integration of producer services into networks; and the impacts of the liberalization of producer services. Key Words: producer services, regional development, innovative regional milieus, Europe.

Analyzing empirically based producer service research in Europe is a difficult task. Producer services contain a great variety of activities and their expansion is not homogeneous either in terms of employment or value added (Herbert and Hansen 1990). The adaptation of policies to changes in conditions of production takes time and varies with the type of product, process, and strategy, and the country of location. It is difficult to identify a "European model" of sectoral transformation from industry to services. There are at least three patterns in Europe (Singelmann 1978; Coffey et al. 1987): the fast one (Britain and France), an intermediate one (Italy), and a late pattern (Germany, Switzerland). Books in each of the linguistic areas are not often mentioned as far as services are concerned in other parts of Europe. Finally, regional analysts and policy makers have focused their efforts on manufacturing and the problems arising from the uneven development of industrial systems. The omission of services from research on the spatial organization of economic activities explains the inadequate understanding of how production-distribution systems actually operate in space.

Growing interest in the service economy was first shown by a Producer Services Working Party of the Institute of British Geographers (1986), which produced a state-of-the-art review of research on producer services in the United Kingdom. Four main questions were raised: (1) How can services be defined? (2) What is the contribution of producer services to employment growth and to the performance of other sectors of the economy? (3) What is the spatial distribution of producer service employment? (4) What are the policies toward services? Among the first books to provide a cross-European perspective were Bailly and Mulhall's Le secteur tertiaire en question (1988) and Illeris's Services and Regions in Europe (1989). Each of these books covered, for all of Europe, (1) the impact of technological changes; (2) regional development of services; (3) employment problems; and (4) policies toward services in Europe. Another recent working paper (RESER 1991) confirms the importance of these questions in Europe. In that report, two papers deal with the organization of services and regional dynamics and one with international networks in services.

Our knowledge about producer service activities evolves rapidly. This paper attempts to synthesize four main directions of research in Europe, mainly in non-English-speaking countries: (1) the economic role of producer services, mainly in regional and urban development; (2) the location of advanced producer services—considered as strategic for economic activity; (3) the role of regional structures (the milieu); and (4) the role of producer services in local development. In the conclusion I identify future research issues.

The Economic Role of Producer Services

In the 1970s, published research documented the growing importance of producer services in Europe in terms of the number of people employed, the strategic character of these services within the production process, and the role of the services in the competitive evolution of regional production structures. Three approaches have been used in studies aimed at explaining the process of change: (1) the growth of employment in services (territorialization process); (2) the second dealt with the fall of industrial employment (economic crisis); and (3) the third analyzed structural changes (Siniscalco 1985). The latter shows that the growth of services is a result of structural changes in the productive system, and more precisely, in the system for producing industrial goods. The growing interrelation between industrial and service activities is more important in countries that have a high per capita GDP than in other countries, such as in Southern Europe. This difference reflects the location of advanced producer services, as noted in the next section.

Interrelations between industries and services are linked to firms' strategies. Three alternatives are possible:

(1) A firm can organize its services internally, through investments, acquisition, or merger. The expansion can stay in the local and regional area, as in the example of small industries in Denmark (Jepsen 1982). Larger firms typically expand through affiliation and branches (as in the U.K. case).

(2) A firm may link with services through market transactions, buying products and services externally. This was the major trend in the 1980s and resulted in the growth of services in cities, mainly for advanced producer services in the primary or export or international areas. Much research on international cities in Europe emphasizes this concentration effect.

(3) A firm may forge linkages to other firms and organizations, developing cooperative agreements of a formal or informal nature; enterprise flexibility favors the development of economic networks (Johnson and Mattson 1987) inside new European markets (EEC).

Location of Advanced Producer Services

One of the main concerns of national economic policies in Europe is regional development, due to regional disequalities inside EEC countries. It is important to understand the European policy context:

(1) New communities (EEC) and most countries have set up regional policies through regional development funds. Regional disequalities inside these countries, as well as between the different member countries, are politically unacceptable.

(2) Regional policies had a priority in the past on manufacturing activities. Since service activities are the main source of employment, regional policies—which will consider national, and regional levels—must be used for the development of local potentials by influencing the supply of and demand for services. Investment subsidies, investments in human capital (education, labor market policies), and restrictions in the location of services in metropolitan areas have been used. Service purchases by government authorities also play a major role, such as investment in the creation of new technological parks and office parks.

The regional development concern is linked to another issue: the impact of technological changes on regional disparities. A way to deal with this question was by studying advanced producer services (APS), considered strategic for the organization and the management of economic activity (Moulart 1992). The main locational trends in Europe can be summarized in three points (these show an uneven impact over space):

(1) World cities (London, Paris, Frankfurt, Amsterdam, Zurich...) are centers for corporate headquarters and international trade in services due to an increasing internationalization of financial and commercial and APS activities. This is partly explained by agglomeration economies and by the nodal location of these centers in high-quality infrastructure networks.

(2) APS expansion in these cities has taken the form of in-town spreading (multi-polar cities) as shown by Howells (1988). Headquarters functions and high-level producer services are concentrated near or adjacent to the major urban core, leaving the regional markets to the smaller cities (branch plant and small firms) (Bailly and Boullanne 1992).

(3) Regional inequalities in APS location result from an increasing differentiation between high-level producer services concentrated in world cities and other less advanced producer services.

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services, which follow a more even spatial distribution pattern (Toddling 1984).

**Regional Structures: The Role of the Milieu**

The study of spatial disparities in the location of producer services activities traditionally distinguishes between two different theories: the convergence theory of neoclassical origin, which argues that any stable state necessarily leads to spatial equalization of the rates of remuneration of productive factors; and the divergency theory (spatial division of labor, center-periphery analysis). This was the point of departure of a school of thought launched by Aydatol (1983) on territorial disparities between French regions. His studies highlighted the reversal of spatial dynamism in France, with a growing Sunbelt and Snowbelt (Provence-Alpes-Côte d’Azur, Languedoc, Roussillon, Aquitaine, Midi-Pyrénées) and declining regions with an old industrial tradition (e.g., Lorraine, Nord-Pas de Calais).

New disparities emerging in Europe transcend the center-periphery and urban-rural dichotomies. The milieu-based approach (Maillet 1992) sheds new light and allows French, Italian, and Swiss researchers to identify territorial innovation processes, sustained by a complex system of multifaceted relational networks (material-non material, formal-informal, territorial-functional). Maillet distinguishes three types of milieux:

1. The endogenous innovative milieu or technological district. This is characterized by strong integration of the entrepreneurs. The milieu is organized as territorial networks of small- and medium-sized enterprises whose economic relations have a certain historical and cultural coherence and in which the innovation dynamic is created by local networks. The standard examples are the “Third Italy,” the Jura Arc, and Baden-Württemberg.

2. The exogenous innovative milieu formed by industrial fragmentation, resulting from the functional specialization strategy of large firms that delocalize the various segments of the production process. Technopolitan structures (Sophia Antipolis, Cambridge, Toulouse) are a standard example of this type of exogenous innovative milieu.

3. In between these two standard examples, we can distinguish milieux whose development has taken place on the periphery of metropolitans structures: techno-metropolitan milieux (the southern suburbs of Paris, the north-east of Milan, Barcelona, the Randstad, Greater London). Although the formation of these tecno-metropolitan structures results from an industrial fragmentation strategy, the functioning of this milieu draws support from network dynamics originating in the incubator capacity of the urban structure.

**Producer Services, Local Development, and Labor Markets**

The closely integrated system of goods production and service production is a complex geographic phenomenon that is widely studied in Europe (Illiers 1989). Services that consist largely of information (Ernst and Jaeger 1989) can be sold over increasingly long distances; consequently, they can locate independently of local customers or buying power. This trend has affected the evolution in the location of services in Europe, mainly toward metropolitan conurbations (Gael Daniels 1991).

Most policies on services in Europe since the 1960s intend to reduce this concentration process with interesting results, mainly in federal countries. The main policies can be easily dated:


2. 1980-1990: regional policies based on producer services (advanced producer services, communication) and technological parks (science parks, teleports) to locate high-tech firms.

3. 1990-1994: networks and flexible policies leading to approaches in terms of organization (economic system, labor markets) and “milieux” (innovation, territorial interactions).

Due to these policies, studies in small European countries (Illiers and Jakobson 1990) show that the traditional pattern of service provision from a hierarchy of centers is no longer the only way services are distributed. There are substantial and growing sales of services from smaller towns to larger ones, and often to quite distant parts of the country or abroad.

Spatial perspectives on services are also linked to developing local potentials and regional labor markets. There are two fundamental ways to study regional labor markets: identify the distribution of employment and wages and their determinants (demand); or analyze the supply of the labor force and job search behavior (supply). These approaches have the advantage of integrating producer service employment in a regional social and economic context, allowing us to recognize the dysfunctions of the labor markets. Many recent studies, dealing with unemployment, develop the second type of approach and lead to planning questions for new educational systems at regional levels.

**Issues for Future Research**

This history of scientific research on the spatial organization of producer services has been too short in Europe to draw general conclusions. Although sectoral studies using primary data have been undertaken, much work remains to be done, especially on the geography of service industries (Gael Daniels 1991). Most policies on services in Europe since the 1960s intend to reduce this concentration process with interesting results, mainly in federal countries. The main policies can be easily dated:


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Producer Services Research in Canada

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Producer services research in Canada has pursued several themes: regional location patterns; the exportability of services; and the intrametropolitan location of service activities. Directions in producer services research in the 1980s included a continuation of the interest in location patterns, a transition from largely descriptive studies toward those that place increased emphasis on explanation, and more interest in trade in producer services. Future challenges in producer services research include the need to demonstrate to policy makers the economic importance of services, the need for better data, and the need to better integrate investigations of producer services with other forms of research. Key Words: Canada, producer services, intrametropolitan location, intrametropolitan location.

This paper presents an overview of empirically based research on producer services in Canada. It begins by summarizing major trends in Canadian research during the 1980s, both in terms of the principal themes treated and the major research findings. Next, the paper considers new directions in research that have begun to emerge in the 1990s. Finally, it identifies a number of challenges for future research.

Producer Services Research in Canada During the 1980s

Before examining the principal themes addressed by Canadian producer services research, it is important to note that underlying most empirical studies has been a fundamental concern with the economic development of specific regions or urban areas. Until the large-scale research program financed by Statistics Canada and the Department of Regional Industrial Expansion in the latter half of the 1980s (see below), producer services were viewed not so much as objects of analysis in themselves but rather as proximal tools for promoting the economic development of particular areas. Thus, most studies of producer services have been drawn to this field of research through a broader concern with issues of regional economic development.

The major portion of Canadian research on producer services conducted during the 1980s employed macro-level census data to describe the broad locational patterns of these activities. Much emphasis was placed, in particular, upon demonstrating the disproportionate concentration of producer services in large metropolitan areas, and the relative scarcity of these activities in smaller places; in other words, theoretical arguments concerning the footprint nature of producer services notwithstanding, the locational feasibility of these activities was shown to be highly restricted. This theme of the spatial polarization of producer services was treated at both national and regional scales (see, e.g., Coffey 1987, Ley and Hutton 1987, and Coffey and McRae 1990). In the context of Canada's national sport of measuring regional economic disparities and formulating policies to reduce them, these empirical studies engendered others of a more conceptual or policy-oriented nature, explaining the reasons for this polarization and examining the impact of the growth of high order service activities both upon Canada's administrative regions and upon various levels in the urban-rural hierarchy. An important conceptual advance was introduced by Coffey and Polèse (1988), who were able to empirically distinguish between the true decentralization of high order services to peripheral regions and the deconcentration of service activity to large metropolitan areas. For the period 1971–1981, a major portion of producer service growth was found to be of the latter variety, i.e., an extension of the urban field of large metropolitan areas.

A second important theme of research concerned the exportability of producer services. Here, it has been conclusively demonstrated that, contrary to the popular belief of the past, Canadian producer services do represent important exports from national, regional, and local economies. Although certain studies employed more aggregate datasets such as Canada's balance of payments accounts (Henderson 1989) or provincial disaggregations of the Canadian input-output model (Stabler and Howe 1988), the majority of this research, especially that conducted at regional and local levels, was based upon establishment-level surveys of both the producers and consumers of producer service exports (e.g., Polèse 1982, Ley and Hutton 1987; Coffey and Polèse 1987a, 1987b; McRae and Desbois 1987; Michalik and Fairbairn 1988; Coffey and McRae 1989). Together, these studies reinforce several important points concerning the nature of producer service exports: (1) at both interregional and international levels, trade in producer services is much more substantial than is usually suspected; (2) while the majority of producer service exports originate from metropolitan areas, nonmetropolitan areas, too, can and do export producer services; and (3) producer service exports occur quite independently of goods exports.

A third, although relatively minor, research theme of the 1980s concerned the intrametropolitan location of service activities. This research was largely limited to Canada's three largest metropolitan areas: Toronto, Montreal, and Vancouver. Further, much of it was devoted to demonstrating the important numerical and functional polarization between establishments in the central business district and those in the surrounding central city and suburban areas. In general, this research signaled an increasing specialization of the CBD in high status managerial and professional activities, leading to a growing gap between CBD and suburbs in terms of the nature of the functions performed (see, e.g., Code 1981; Hutton and Davis 1985; Polèse 1988). In a sense, much of this intrametropolitan scale work was analogous to that being conducted at the national level, its goal was to demonstrate the spatial concentration of high order producer service functions. In general, these studies were based both upon surveys and census data.

The end of the 1980s was marked by two large-scale Canadian research programs on services industries. Only a portion of each of these programs, however, resulted in research specifically concerning producer services. First, Statistics Canada and the (now defunct) Department of Regional Industrial Expansion funded a very broad three-year study of service industries in Canada. This study, coordinated by the Institute for Research on Public Policy and the Fraser Institute, included a large number of individual studies on general issues such as the nature of service activities, trade in services, and statistical issues, as well as studies on individual sectors (e.g., Verreault and Polèse 1989, on the engineering consulting sector; Polèse et al. 1986, on the real estate development and management sector). The volume of