

# Contents

<b>1</b>	<b>Introduction</b>	<b>1</b>
1.1	Regional Disparities in Employment Growth and Unemployment . . . . .	4
1.2	Overview of the Study . . . . .	10
<b>2</b>	<b>Employment in an Interregional Equilibrium</b>	<b>15</b>
2.1	Local Factors and Increasing Returns . . . . .	17
2.2	Economies of Agglomeration . . . . .	21
2.2.1	Stability and Adjustment . . . . .	22
2.2.2	Limits to Concentration . . . . .	24
2.3	Localization Economies from the Variety of Goods . . . . .	26
2.3.1	A Model with Homogeneous Final Goods . . . . .	27
2.3.2	A Model with Heterogeneous Final Goods . . . . .	30
2.4	Knowledge Spillovers and Dynamic Externalities . . . . .	37
2.5	Empirical Implications for the Employment Pattern . . . . .	41
<b>3</b>	<b>Employment Location in German Manufacturing</b>	<b>49</b>
3.1	The Regional Distribution of Employment . . . . .	51
3.2	The Regional Development of Employment . . . . .	59
3.2.1	Description of Data . . . . .	60
3.2.2	Description of Variables . . . . .	63
3.2.3	Sectoral Employment Growth . . . . .	65
3.2.4	Sectoral Growth of Establishment Numbers . . . . .	69

3.2.5	Total Manufacturing Employment Growth . . . . .	72
3.3	Implications for the Labor Market . . . . .	75
<b>4</b>	<b>Interregional Migration in Germany</b>	<b>81</b>
4.1	General Aspects of Migration and Employment . . . . .	82
4.2	Local Determinants of Regional Migration . . . . .	88
4.2.1	From Gross to Net Migration . . . . .	90
4.2.2	Data and Variables . . . . .	92
4.2.3	Estimation of a Net Migration Equation . . . . .	94
<b>5</b>	<b>Regional Wage Formation</b>	<b>101</b>
5.1	Sources of Regional Wage Flexibility . . . . .	102
5.2	Regional Wages and Central Wage Bargaining . . . . .	107
5.2.1	The Wage Curve . . . . .	107
5.2.2	The Restricted Firm . . . . .	109
5.2.3	Wage Setting of a Monopoly Union . . . . .	111
5.2.4	Implications for the Regional Wage Level . . . . .	116
<b>6</b>	<b>Regional Wage Flexibility in Germany</b>	<b>121</b>
6.1	Existing Studies in the German Case . . . . .	121
6.2	Empirical Analysis for West Germany's Districts . . . . .	126
6.2.1	Data and Variables . . . . .	127
6.2.2	Basic Wage Curve Estimations . . . . .	128
6.2.3	Spatial Issues in the Wage Curve . . . . .	133
6.2.4	Dynamic Aspects of Regional Wage Flexibility . . . . .	141
<b>7</b>	<b>Summary and Outlook</b>	<b>151</b>
<b>A</b>	<b>Appendix</b>	<b>155</b>
I	Sources and Definitions of Data Used in Chapter 1 . . . . .	155
I.1	Data on Employment Change . . . . .	155
I.2	Data on Unemployment . . . . .	156
II	Sources and Definitions of Data Used in Chapter 3 . . . . .	156
II.1	General District Level Data . . . . .	156

II.2	District Level Data for Manufacturing Industries . . .	157
II.3	Other Data . . . . .	159
III	Sources and Definitions of Data Used in Chapter 4 . . . . .	160
III.1	State Level Data . . . . .	160
III.2	District Level Data . . . . .	161
III.3	Data at the Level of the Planning Regions . . . . .	162
III.4	Further Data . . . . .	162
IV	Sources and Definitions of Data Used in Chapter 6 . . . . .	163
V	Abbreviations in the Text . . . . .	165
VI	Tables . . . . .	166
 <b>List of Tables</b>		 <b>189</b>
 <b>List of Figures</b>		 <b>191</b>
 <b>References</b>		 <b>193</b>