An Employment-oriented Investment Strategy for Europe

Steven Tobin
ILO Research Department

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Outline of the presentation

• Labour market challenges

• Why the Investment Plan matters

• How to make the most of the Plan

• Next steps: Looking at other countries’ experiences
The recovery remains weak...

GDP growth forecasts for 2015 in EU-28, US and Japan

Source: ILO Research Department based on EU Commission Economic Forecasts, different editions.
...unemployment is near double digits...

Unemployment rates in EU-28, US and Japan (%) – Q1 2007 to Q4 2014

Source: ILO Research Department based on Eurostat and OECD.
...rising challenge of long-term unemployment...

Long-term unemployment rates in the EU-28, US and Japan (% of unemployed)

Notes: Long-term unemployment rate refers to the number of unemployed out of work for 12 months or more as a share of the total number of unemployed.
Source: ILO Research Department based on OECD.
...but support is waning.

Source: ILO Research Department based on EU DG EMPL.
Investment shortfall is a key factor underpinning poor job creation...


Source: ILO Research Department based on IMF and Eurostat.
...quality investment is also of concern – and has been so for some time...

Investment in ICT – percentage change (2000-2007)

Source: ILO Research Department based on Eurostat and OECD.
...and so the Plan is a welcome initiative...

• Aims to boost much-needed **job creation**; putting jobs on par with growth and investment objectives

• Provides a means to emphasize “**productive**” investments, rather than short-term financial gains

But...

• May have unintended distributional consequences
…but must correct existing disparities.

Distribution of EIB funding in the EU-28 – 2007 to 2013 (billions of Euros)

Note: "Low unemployment" refers to EU countries whose unemployment rates over the period 2007-2013 were below the EU-28 average. Conversely, "High unemployment" refers to EU countries with above the average unemployment rates in the period 2007-2013. "Non-EU countries" refers to EIB partner countries outside the European Union.
Source: ILO Research Department based on European Investment Bank.
A job-friendly approach is key.

Employment impact of the Investment Plan, under different design features
(million net new jobs above baseline, 2018 versus baseline)

Source: ILO Research Department.
How does the EU Plan compare?

<table>
<thead>
<tr>
<th></th>
<th>EU Investment Plan</th>
<th>US Recovery and Reinvestment Act</th>
<th>Japan Stimulus Plan</th>
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</thead>
<tbody>
<tr>
<td><strong>Size as a % of GDP</strong></td>
<td>2.40%</td>
<td>7.30%</td>
<td>3.80%</td>
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<tr>
<td><strong>Target job creation</strong></td>
<td>✓</td>
<td>✓</td>
<td>✗</td>
</tr>
<tr>
<td><strong>Target vulnerable groups</strong></td>
<td>?</td>
<td>✓</td>
<td>✓</td>
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<td><strong>Monitoring during implementation</strong></td>
<td>?</td>
<td>✓</td>
<td>✓</td>
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<td><strong>Employment impact evaluation</strong></td>
<td>?</td>
<td>✓</td>
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Moving forward

- Leverage the Plan to stimulate productive investment where it is most needed (wage growth can follow)

- Active labour market policies and vulnerable groups: cost of inaction is high

- Engage the social partners in the design of training

- Impact evaluation of employment effects is crucial – central role of EIB and other organizations/experts