An Employment-oriented Investment Strategy for Europe

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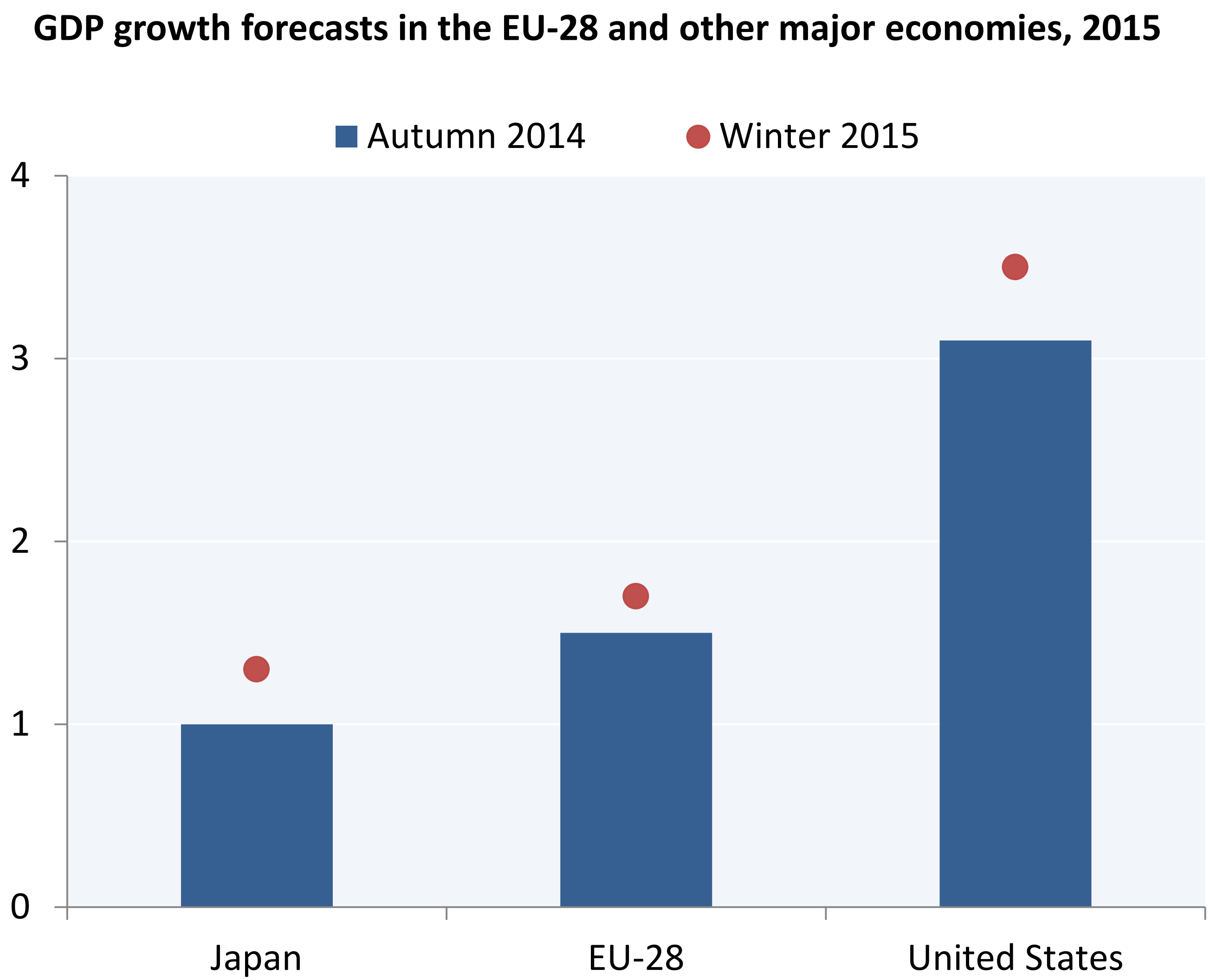
Austerity, aggregate demand and investment

- Austerity was doomed to fail in economies highly dependent on internal demand
- Reduction in demand only dampened further investment activity
- But, productive investment was already lacking
- Current Investment Plan can help – only part of the solution

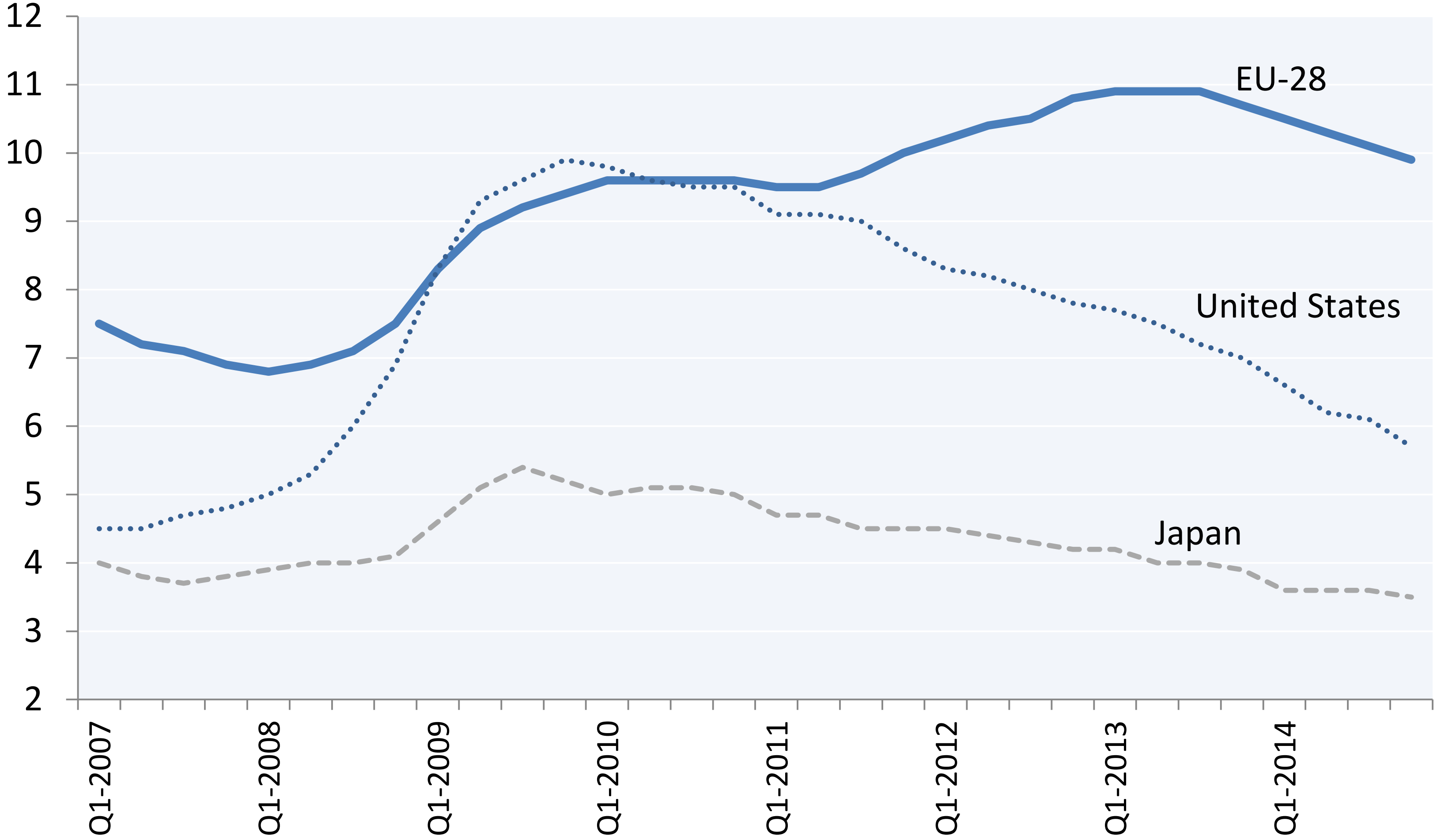
The recovery remains weak…



Source: ILO Research Department based on EU Commission Economic Forecasts, different editions

… unemployment remains near double digits…

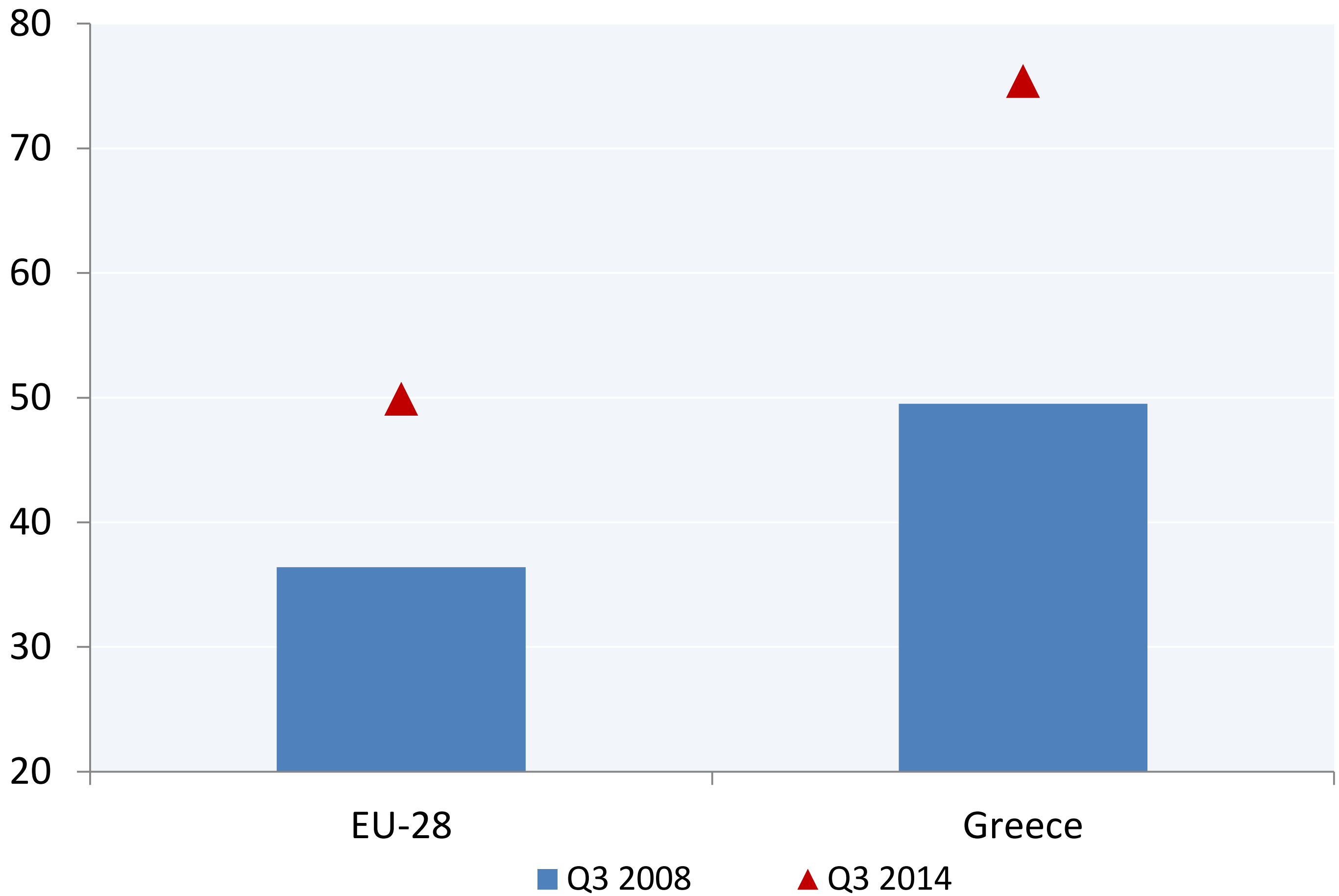
Unemployment rate in EU-28 vs US, Q1 2007 to Q4 2014 (percentages)



Source: ILO Research Department based on Eurostat.

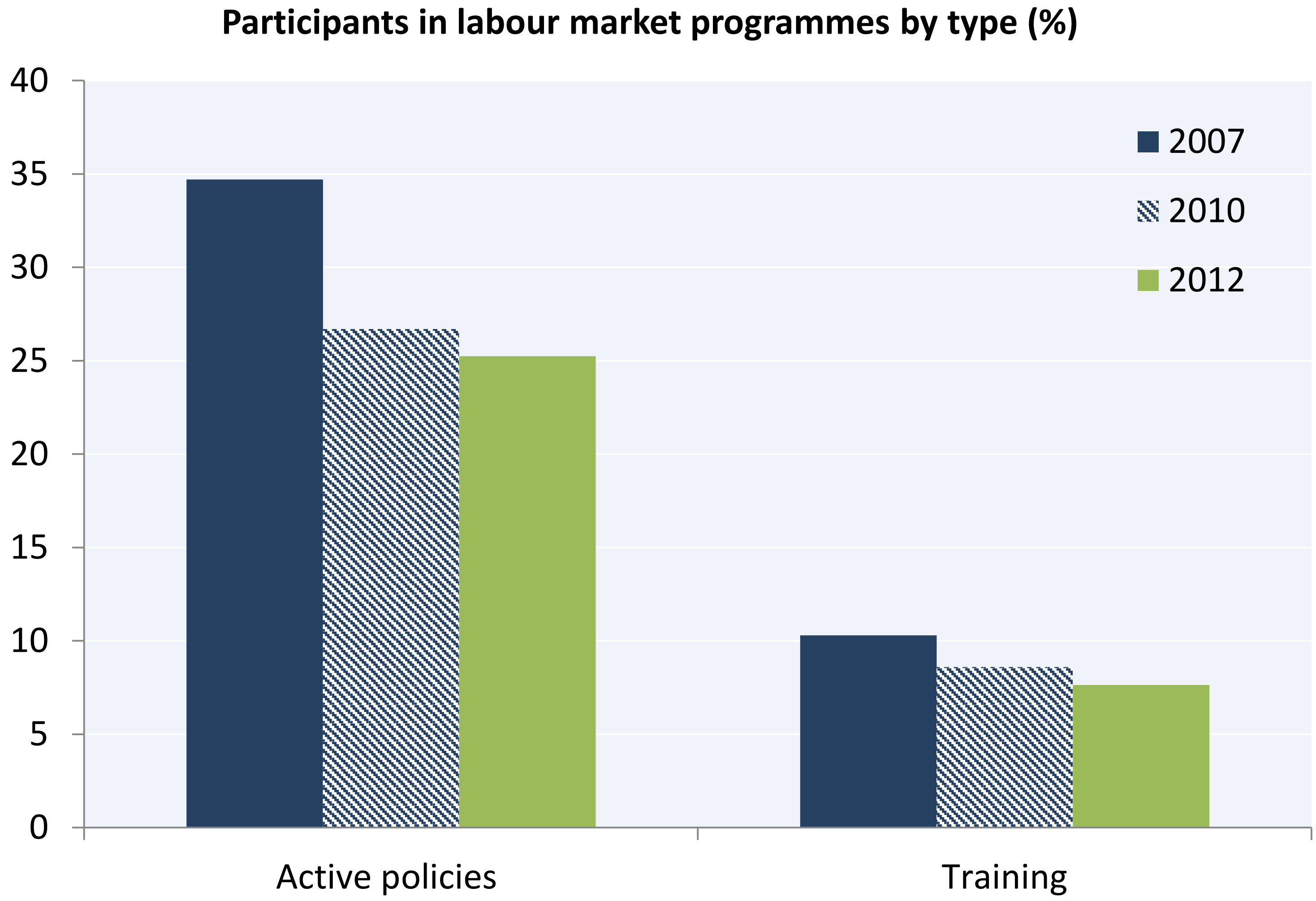
…challenge of long-term unemployment

Long-term unemployment rates in the EU-28 and Greece



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

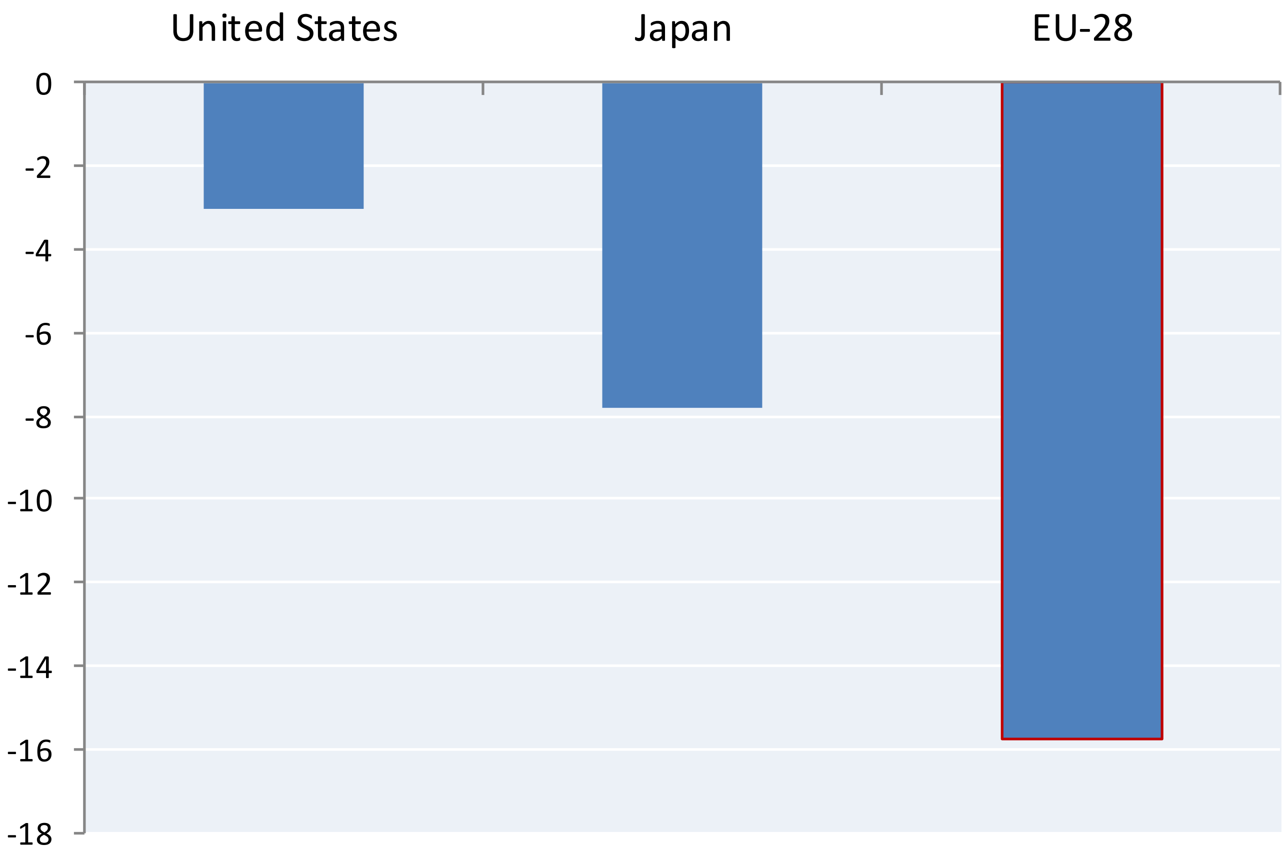
...but support is waning.



Source: ILO Research Department based on EU DG EMPL.

Investment shortfall is a key factor underpinning poor job creation…

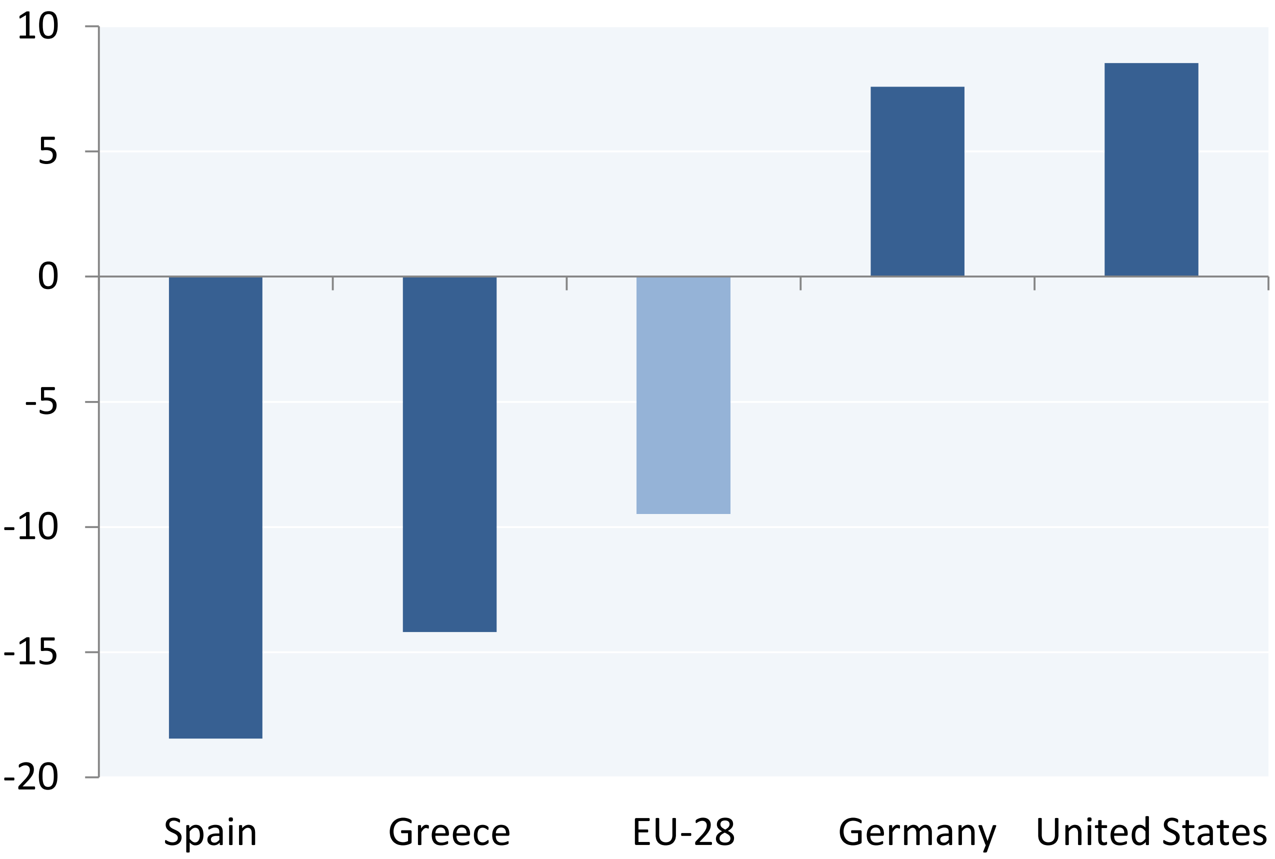
Investment growth in EU-28 vs US and Japan, 2007-2014 (percentage)



Source: ILO estimates based on IMF and Eurostat

…which pre-dates the onset of the crisis…

Growth of investment in manufacturing and ICT between 2000 and 2007 (percentage)



Source: ILO Research Department based on Eurostat and OECD

… and so the Plan is a welcome initiative…

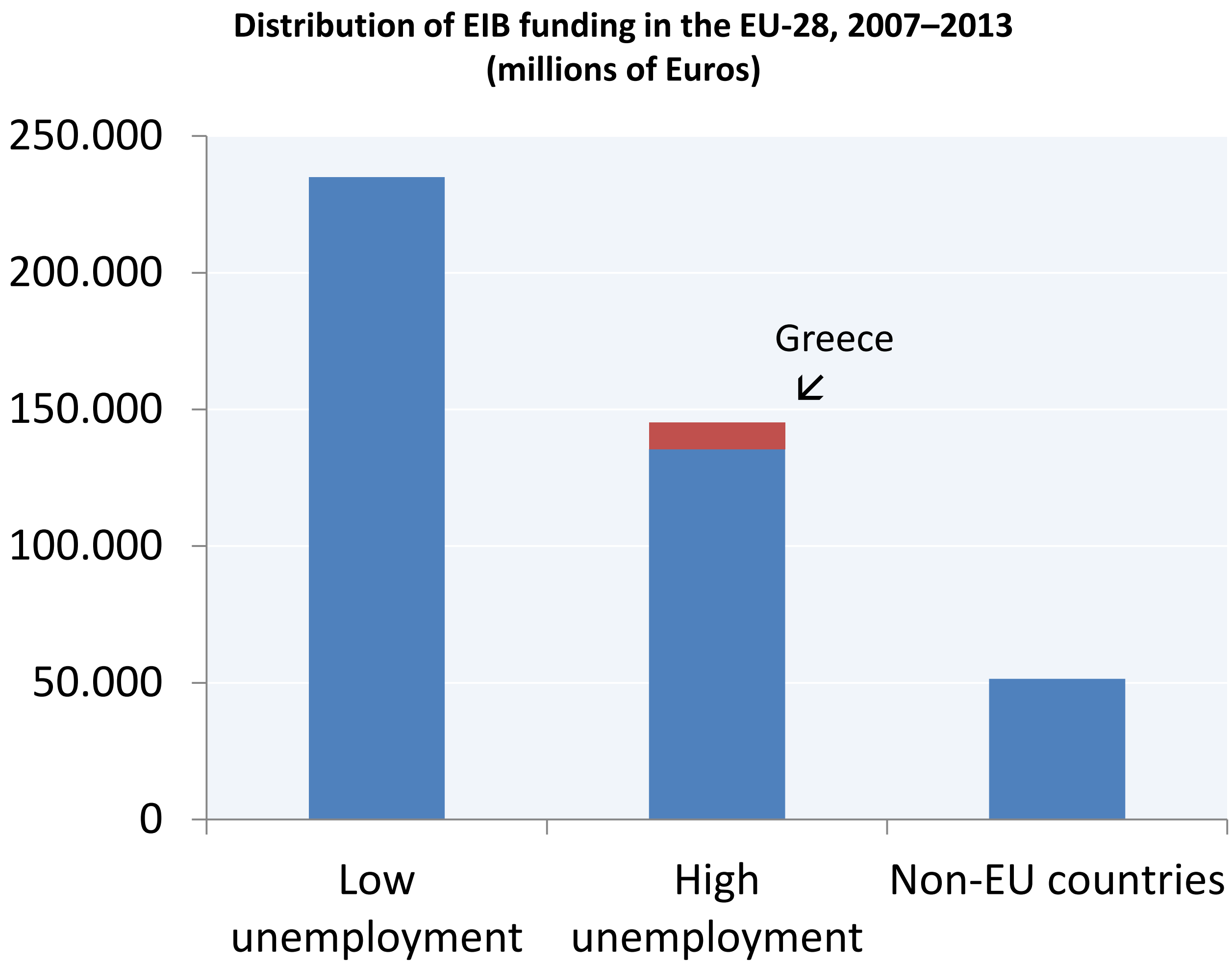
- Aims to boost much-needed job creation; putting jobs on par with growth and investment objectives

- Provides a means to emphasis “productive” investment, rather than short-term financial gains

But…

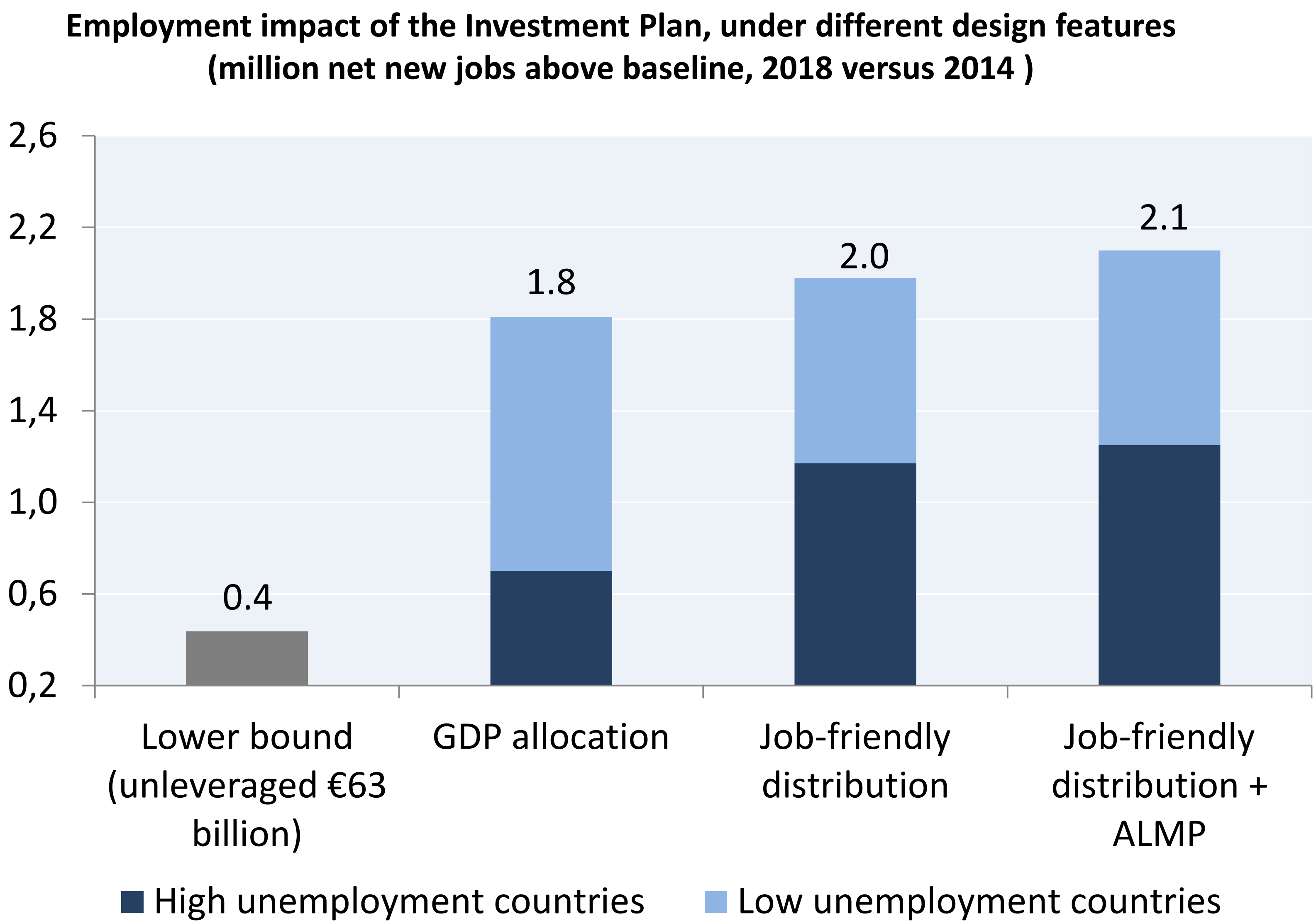
- May have unintended distributional consequences at the macro and micro level

… but must avoid worsening existing disparities



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



Source: ILO Research Department

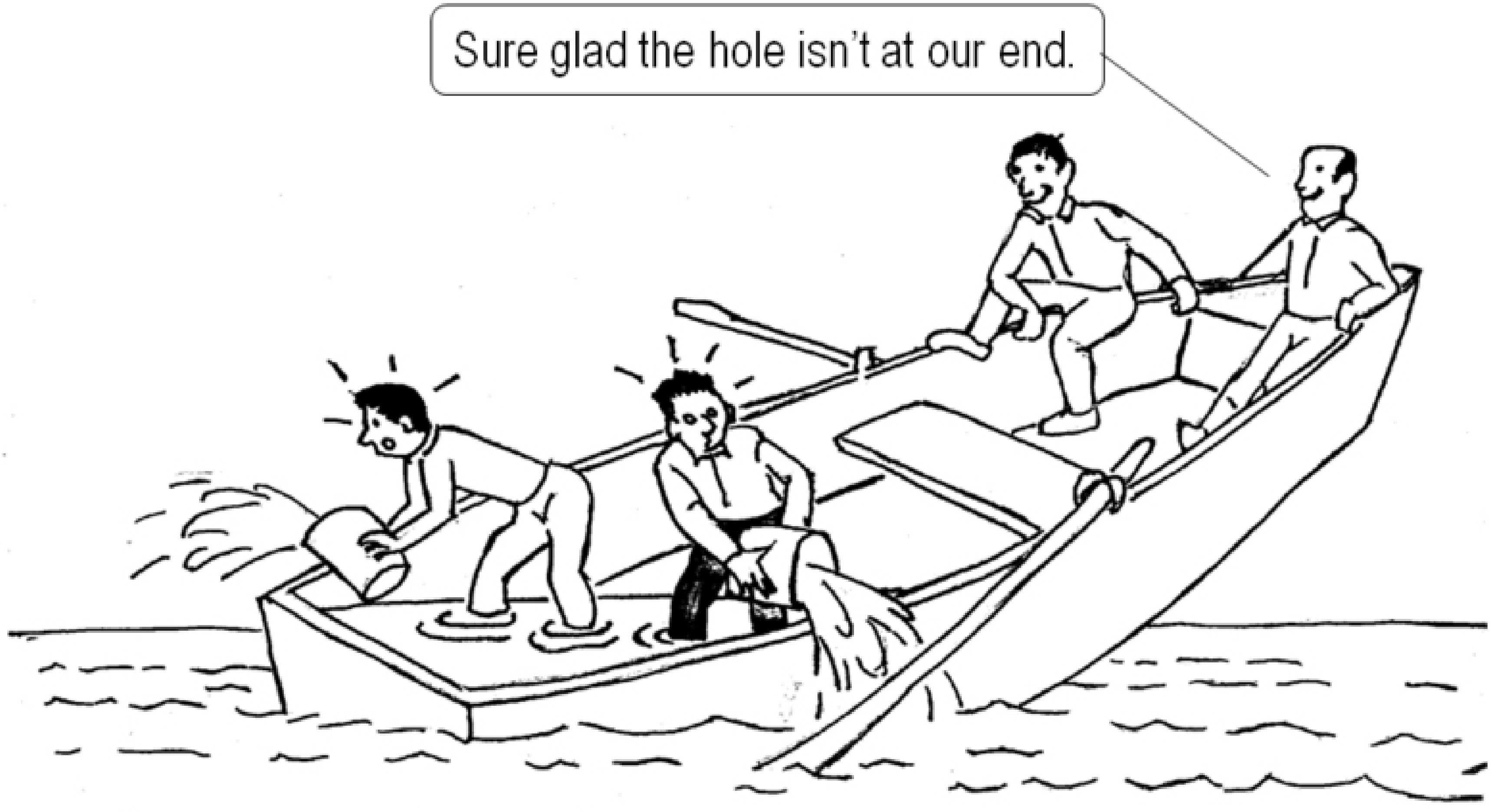
How does the EU Plan compare with those in other countries?

	EU Investment Plan	US Recovery and Reinvestment Act	Japan Stimulus Plan
Size as a % of GDP	2.4%	7.3%	3.8%
Duration	2015-2018	2009-2019	2013-2016
Target job creation	✔	✔	✘
Target vulnerable groups	✘	✔	✔
Monitoring during implementation	?	✔	✔
Impact evaluation planned	?	✔	?

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 – case of Canada
- Impact evaluation of employment effects is crucial – central role of EIB

EU co-ordination



THANK YOU!

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