

## WHAT HOPE IS THERE FOR THE 27 MILLION UNEMPLOYED IN EUROPE ? (part 2)<sup>1</sup>

By Frank Roels

Comparing several proposals for economic growth, I focus on the number of novel, additional jobs that are predicted. Indeed, the present prospects for employment in the EU are not favorable. Although the IMF expects a return to growth in the Eurozone in 2014, and growth rates of about 1.5% in the following years, the Euro unemployment rate will increase to 12% in 2014 and will remain above 11% until 2017<sup>2</sup>.

Youth unemployment is still more dramatic: among those 16-24 of age, unemployed are 5.6 million, or 23.5%, rising to 23.8% last December.

These figures are underestimates because of the Eurostat definition: the **unemployment rate** includes only those who actively sought work in the previous four weeks and are available to start within the next two weeks. Bloomberg calculations for the third quarter 2013 show in the eurozone a wider total of 31.2 million people of all ages are either looking for jobs, willing to do so though unavailable, or else have given up<sup>3</sup>. Moreover, the figures are averages; in individual member states and specific regions, unemployment is much higher, for ex. youth unemployment is 56.5% in Spain, and 57.3% in Greece, 22.8% in Belgium. Again, in the last country, unemployment is much higher in the Brussels region, in particular for youngsters with parents or grandparents who migrated from N.-Africa, Turkey or Eastern Europe. For a map of the EU and details of unemployment per member state, see<sup>4</sup>. A detailed analysis of the development of unemployment and parttime employment, as a consequence of the austerity policies, is published just now by the European Trade Union Institute<sup>5</sup>.

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<sup>1</sup> Part 1, see <http://www.social-europe.eu/2014/03/unemployed/>

<sup>2</sup> Peter Bofinger: "Can the ECB do more for the European unemployed? With basket eurobonds, the ECB could act like the FED". 2013, p. 55:

[http://www.progressiveeconomy.eu/sites/default/files/SDJournalforProgressiveEconomy-ENG\\_NOVEMBER.pdf](http://www.progressiveeconomy.eu/sites/default/files/SDJournalforProgressiveEconomy-ENG_NOVEMBER.pdf) A drop in unemployment is seen by the financial sector as a threat because a rise in interest rate would follow: <http://www.bloomberg.com/news/2014-01-22/u-k-stocks-rise-before-boe-minutes-unemployment-report.html>

<sup>3</sup> <http://www.bloomberg.com/news/2014-01-27/euro-jobless-record-seen-in-legacy-of-italians-giving-up.html> More about definitions, precarious work, underemployment: ILO study: [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/publication/wcms\\_166604.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/publication/wcms_166604.pdf) The rate is dropping in Germany, and more so in the UK <http://www.bloomberg.com/quote/UKUEILOR:IND>

<sup>4</sup> <http://blog.lesoir.be/docs/2013/11/29/la-carte-du-chomage-dans-la-zone-euro/#more-1184>

<sup>5</sup> <http://www.etui.org/Publications2/Books/Benchmarking-Working-Europe-2014>

About the creation of jobs the report writes: "Private investment can be expected to increase following a stimulus from public investment. Recovery also requires current spending from governments. They cannot take advantage of investment opportunities if they cannot pay interest on loans. There is also little point in trying to modernise societies, for example with

### **Obama's stimulus ARRA and fiscal support.**

Initiated in 2009, the American Recovery and Reinvestment Act invested \$800 billion, spread out over 5 years, and was followed by fiscal support measures totalling \$729 billion (2013 included). The results are spectacular in terms of ecology, renewal of infrastructure, avoidance of poverty, and growth of GDP. “Europe, in contrast, *“quickly embraced austerity, which is one reason the unemployment rate in the euro zone is almost twice as high as ours”* (Michael Grunwald)<sup>6</sup>. However, when compared to the sums invested, the number of novel jobs is modest: 9 million-years. In 2014, there are still 10.5 million (6.7%) unemployed in the USA<sup>7</sup>. This is explained by the destination of the investments: only 290 billion (rough estimate) went to direct job creation: school building, big infrastructure, teachers, green energy. Most of the billions went to tax cuts for families, benefits to unemployed, medicare, and incentives for businesses. These expenditures certainly raised demand, but its effect on employment is delayed and smaller, because part of the finances go to profit, household spending and paying off debt. More appalling still is the sum of \$ 4230 billion that the Federal Reserve has spent buying bonds – money that visibly has created few jobs but probably increased the reserves of corporate banks and also explains the blow up of the share prices in the stock markets.

### **iAGS, ETUC, FES proposals**

A total of 200 billion public investments, up to 2020, are proposed in the *independent Annual Growth Survey 2014*<sup>8</sup>. Its purpose are big infrastructure works called “Green New Deal”: transport, energy efficiency, and education. As is predicted by a mathematical model, the public debt/GDP ratio will decrease, notwithstanding higher public spending. In the euro area 3.5 million new jobs should result after 3 years. However, is not specified who are the employers who will create jobs. Most probably private businesses also will receive the government investment money; that money will in part increase corporate earnings. The text mentions that productivity of companies will rise; but this actually destroys jobs.

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*new facilities for education, research and health, if there are no resources to pay the employees”.*

<sup>6</sup> Comment by Michael Grunwald: <http://swampland.time.com/2014/02/17/economic-stimulus-recovery-act-anniversary-obama/>

Official White House Report: Feb 2014:

[http://www.whitehouse.gov/sites/default/files/docs/cea\\_arra\\_report.pdf](http://www.whitehouse.gov/sites/default/files/docs/cea_arra_report.pdf)

<sup>7</sup> <http://www.bloomberg.com/news/2014-03-31/yellen-says-extraordinary-support-needed-for-some-time-.html> Janet Yellen, who succeeded prof Ben Bernanke at the FED, now makes a major goal of combatting unemployment. But the number of people continuing to receive jobless benefits is only 2.84 million in the week ended March 22: <http://www.bloomberg.com/news/2014-04-03/jobless-claims-in-u-s-increased-16-000-last-week-to-326-000.html>

<sup>8</sup> Dec 2013 : <http://www.progressiveeconomy.eu/content/iags-report-2014>

The plan of the *European Trade Union Confederation ETUC* (Nov 7<sup>th</sup> 2013)<sup>9</sup> wants to invest annually 2% of GDP, (i.e. approx 260 billion), over a 10 year period. It was computed to create 1.7 million jobs in 2015, rising to 5.8 million in 2019, possibly up to 11 million in long-term if the calculus model of the EC is applied. GDP will rise with 1.7% in 2015, up to almost 5% in 2019. As a consequence, tax revenue will increase without changing the rates. These results are dependent on a low interest rate of the ECB. Although the plan does not explicitly mention who will be the employers of the novel jobs, part of those will be in the public sector, as one can infer from the targeted facilities requiring personnel: education, training, research, health care, transport network, broadband networks, housing for old people, social housing, sustainable water management. But loans to the private sector are included. The number of additional jobs is very modest in comparison to the large sums invested, and to the present number of unemployed.

The *Friedrich Ebert Stiftung* recently published a proposal<sup>10</sup>, that would spend 260 billion eur annually. Of this sum, only 20 billion euros is invested in social services (nursing care, nurseries, schools, universities, services for the elderly, etc.), plus 30 billion euros annually flowing into education and training. But the larger part would go into investment subsidies, reconstruction, environment and energy, i.e. partly into wages and partly into materials and corporate earnings. The number of novel expected jobs is 9 to 11 million, so less than half of the 27 million officially unemployed today.

### **Proposals by political parties**

The texts “for growth and jobs” published by the PES, Party of European Socialists, mention no employment figures and no budget<sup>11</sup>.

The plan of the German SPD “Growth and employment in Europe” (May 2012)<sup>12</sup>, proposed a sum of 232 billion unused by European structural funds, for infrastructure works in renewable energy, maritime traffic and energy-efficient

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<sup>9</sup> [http://www.etuc.org/sites/www.etuc.org/files/EN-A-new-path-for-europe\\_3.pdf](http://www.etuc.org/sites/www.etuc.org/files/EN-A-new-path-for-europe_3.pdf)

<sup>10</sup> Michael Dauderstädt & Ernst Hillebrand eds: Alternatives to Austerity. Progressive growth strategies for Europe. Dec. 2013, Friedrich Ebert Stiftung.: <http://library.fes.de/pdf-files/id/ipa/10410.pdf> [www.fes.de/ipa](http://www.fes.de/ipa)

<sup>11</sup> [http://pes.eu/sites/www.pes.org/files/a\\_pact\\_for\\_growth\\_and\\_jobs\\_in\\_europe-27062012\\_en.pdf](http://pes.eu/sites/www.pes.org/files/a_pact_for_growth_and_jobs_in_europe-27062012_en.pdf)  
[http://www.pes.eu/sites/www.pes.org/files/pes\\_ecofin\\_epsco\\_ministers\\_declaration\\_15-10-2013\\_en.pdf](http://www.pes.eu/sites/www.pes.org/files/pes_ecofin_epsco_ministers_declaration_15-10-2013_en.pdf) See also Forum Renaissance 3-5 April 2014, with Martin Schulz and other European leaders of the S&D: <http://www.renaissance-europe.eu/fr/> The texts are not yet available online. The meetings in March 2012 and Febr. 2013 assembled an impressive list of politicians and experts; but “*Ten provoking thoughts*” and commentaries (64 pages) do not mention job creation; instead “*Progressives must reopen the debate and struggle for quality employment for all*” : <http://www.renaissance-europe.eu/fr/publications>

<sup>12</sup> by Sigmar Gabriel, Frank-Walter Steinmeier and Peer Steinbrück. See: <http://kathleenvanbrempt.be/zoeken/query/spd/>

building; spending on education of at least 6% of national and 6% of the EU budget. It mentions, interestingly, modernising public administration especially of tax collection achieving higher tax collection quotas. However no figure is given of a number of additional jobs created or aimed at. An important part of the investment would go to earnings of the corporate sector, so not to wages and salaries.

The election program for 2014 of the Flemish Social Democrats, S-p-a, proposes increased government spending of around 6.25 billion euro, but gives no figure of the number of jobs created, although it is an explicit goal of the program. 2.55 billion of it go to the employers of workers under 30 and over 50 years of age; and 3.7 billion to education, child care, waiting lists, benefits, and tax relief for the lowest salaries. This spending however is compensated by 2 billion “gains of efficiency” in health care, and 6.65 billion economies by public authorities<sup>13</sup>. When one makes the addition, it looks more likely that under this program, the number of jobs would decrease, and GDP will be pushed down<sup>14</sup>.

The leftist SP (Socialistische Partij) in The Netherlands wants “*that public authorities takes measures in order to get people at work, for example by an industrial policy aimed at innovation and by investments in the public sector. The party wants to create 25 000 new jobs in education and care*”<sup>15</sup>.

Alexis Tsipras, from the Greek leftist party Syriza and candidate of the European Left for the presidency of the next EC, does not mention any specific measure that creates jobs<sup>16</sup>. The congress resolutions of the party (July 2013) describe detailed goals of social reconstruction clearly dependent on public initiative and implementation. But they give no indication of the number of jobs created and how much financial sources are needed<sup>17</sup>.

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<sup>13</sup> [http://www.s-p-a.be/media/uploads/files/uwtoekomstontcijferd\\_18maart2014\\_presentatie.pdf](http://www.s-p-a.be/media/uploads/files/uwtoekomstontcijferd_18maart2014_presentatie.pdf)

<sup>14</sup> Also on the Belgian scale, the Federal Planning Bureau predicts the creation of 18.000 additional jobs up to 2020, if the reduction of labour costs by 1.35 billion euro, already decided by the coalition government, flows entirely to the employers earnings. Another government measure, lowering the VAT on electricity from 21 to 6%, would create 8000 jobs. These modest figures should be compared to the number of roughly 500.000 Belgian unemployed. Far more succesful in creating jobs are the longtime existing “service checks” (titres-service, Dienstleistungsschecks), in fact lowly qualified jobs paid largely by the government: the salary is 22.5 eur/hr, but the client (private households, or independent mothers) only pays 9 eur and in addition benefits from tax relief. Under this program 149.827 are at work, the majority in cleaning (2013), and so the Belgian federal government injects 1.2 billion euro annually in low income families (who spend most or all of it in retail).

<sup>15</sup> [http://www.sp.nl/standpunten/cd\\_211/standpunt\\_over\\_werkgelegenheid.html](http://www.sp.nl/standpunten/cd_211/standpunt_over_werkgelegenheid.html) One should recall that there are roughly 700 000 unemployed in The Netherlands.

<sup>16</sup> [http://www.syriza.gr/article/AUSTERITY-IS-WREAKING-HAVOC-BUT-THE-LEFT-CAN-UNITE-TO-BUILD-A-BETTER-EUROPE---article-by-Alexis-Tsipras-in-the-Guardian.html#.Uzwf0jkw\\_gI](http://www.syriza.gr/article/AUSTERITY-IS-WREAKING-HAVOC-BUT-THE-LEFT-CAN-UNITE-TO-BUILD-A-BETTER-EUROPE---article-by-Alexis-Tsipras-in-the-Guardian.html#.Uzwf0jkw_gI)

<sup>17</sup> [http://www.syriza.gr/article/The-political-resolution-of-the-1st-congress-of-SYRIZA.html#.Uzwh-Dkw\\_gI](http://www.syriza.gr/article/The-political-resolution-of-the-1st-congress-of-SYRIZA.html#.Uzwh-Dkw_gI) “we do not recognize the suspension of thousands of public

The Belgian leftist party Parti du Travail-Partij van de Arbeid communicates mainly a detailed analysis and critique of the coalition government led by the socialist Elio DiRupo. While this makes interesting reading, measures for increased employment are only briefly described by 3 billion euro for the creation of public jobs, a redistribution of available work by earlier retirement, and 2 billion for education and scientific research. 50 000 jobs would be created in social housing and insulation<sup>18</sup>.

### **European Commission**

The Youth Guarantee decided last year has a budget of 6-8 billion; how it will be spent is still under study. One should hope that it will create a few jobs; according to the PES party it ‘can bring 2 million young people out of unemployment by 2014’<sup>19</sup>. But its official purpose is different: youngsters leaving school should receive “a job, further education or work-focused training”. The phrasing is significantly equivocal (“or”), while permitting a positive view about the Commissions policy. Commissioner Laslo Andor: *“I can say that I am proud of having made the social pillar of the Europe 2020 strategy truly ambitious. The employment and social portfolio has been strengthened within the European Commission by making it part of the core of EU economic governance (notably in the European Semester).(...) By proposing a Youth Guarantee in all Member States (with added financial support), we elevated EU employment policy to a new level”*.

### **Academic proposals**

More ambitious plans were communicated at the Progressive Economy Forum held at the European Parliament<sup>20</sup>. Cozzi & Michell<sup>21</sup> won the prize of the international jury of academics (including Joseph Stiglitz). Applying the

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*servants and the abolition of important public services. In our perception of the public sector as a lever of reconstruction, all the employees who have been laid off are necessary and will be hired back. (...) Production - specified by sector and industry and taking account of the regional structure of the country - will be based on the public sector, cooperative and self-management units, grassroots companies, social economy ventures, and small and medium-sized businesses – particularly the innovative ones. The funds will be obtained through a new radical as well as just taxation system...set up a public actor under social control in order to continue the works of expansion, improvement, and maintenance of the road network....Social housing...We will ensure the functioning of public hospitals, primary healthcare structures (health centers, EOPYY [National Health Organization] health units, mental health structures, prevention and rehabilitation centers) ...culture, science, sports”.*

<sup>18</sup> <http://ptb.be/programme/goleft2-chasser-le-chomage-pas-les-chomeurs>

<sup>19</sup> <http://www.youth-guarantee.eu/>

<sup>20</sup> <http://www.progressiveeconomy.eu/content/annual-progressive-economy-forum-5-6-march-2014> <http://www.progressiveeconomy.eu/publicpapers>

<sup>21</sup> <http://www.progressiveeconomy.eu/content/employment-focused-recovery-europe-alternative>



Cambridge-Alphametrics mathematic model, they predict the creation of 15 million new jobs towards 2030, by gradually increasing government spending by 3% of GDP (up to 22-32%, varying between countries), instead of an “austerity scenario” that cuts in spending. The higher growth rate of GDP will serve to offset the additional costs of financing this expansion. The authors do not distinguish between job creation by the public resp. private sectors.

My own paper proposed the creation of 26 million vacancies in the non-profit and social profit sector where there are huge and chronic needs (waiting lists etc.; see details<sup>22</sup>). The wages paid will flow immediately into the profit-making business, raising their profit, stimulating production and hopefully, hiring. GDP will rise and the debt ratios will decrease. When fully operative, public expenditure is estimated at 312 billion a year. Sources of financing are loans by the ECB at 0.25%, avoidance of 1000 billion tax evasion, a.o. Not considered in this paper is the possible shortage of workforce for the corporate sector in case the non-profit might absorb all skilled labour. Also, interest-free loans by the ECB were not proposed; in the past the Canadian public bank successfully applied it, until the BIS, Bank of International Settlements (Basel), ordered lending to be privatized<sup>23</sup>.

The article by Mario Pianta<sup>24</sup> came to my attention after I wrote my proposal; it also pleads for public funding of non-market activities and non-profit organisations: infrastructure, transformation of environment and energy, knowledge, education and health & welfare, all fields characterized by labour-intensive production. Pianta does not mention a number of jobs.

### **How explain this lack of ambition?**

Overlooking the proposals from many sources, and the number of novel jobs aimed at, one can offer little hope to the 27 million unemployed in Europe: there are no plans (except one) to create enough jobs and resolve unemployment at short or medium term, let alone the problematic implementation of such a plan.

How to explain the lack of ambitious proposals to eradicate unemployment?

The following hypotheses remain speculative:

- a) experts, and more so, politicians, are influenced by the pragmatic value of a proposal, i.e. what they feel is the realistic probability the proposal might be

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<sup>22</sup> Roels, “Resolving unemployment”: <http://www.progressiveeconomy.eu/content/resolving-unemployment-0>

<sup>23</sup> Thomas Fazi: <http://www.social-europe.eu/2014/03/helicopter-money/> See also: “The Battle for Europe: How an Elite Hijacked a Continent - and How We Can Take It Back”, 2014. <http://www.plutobooks.com/display.asp?K=9780745334509>

<sup>24</sup> Professor of economic policy at the University of Urbino. <http://transform-network.net/en/publications/publications-2013/news/detail/Publications/transform-journal-13.html>

at least debatable. “It is not realistic” is a classic in discussions. This refers to the majority vs. minority not only in the EP, but in each member state (the European council of ministers must approve...). In turn, the elected representatives mitigate their views in order to reach consensus, approval of an amendment, etc. Commissioner Laslo Andor, in a recent interview, explains how the meager social policy of the EC is determined by this perception of power relations: “*social democrats in AAA-countries have become cautious to deviate from the fiscal policy line that had been set out by Merkel and Sarkozy*”<sup>25</sup>. This process is strengthened in coalition governments in which the social democrats participate (Belgium, Germany, The Netherlands, Italy); they strive towards fast reduction of sovereign debt, the opposite of spending.

- b) In the European democracies, the electorate is split nationally, even regionally. It is understandable that politicians and their collaborators focus on the perception of national, regional and local problems, i.e. on the defence of their own electorate. For example, the Greek left is focused on the conservative government in Athens, while Germans are concerned about their exports and a minimum wage in their country, but not about unemployment in Greece and Spain; and so on. A European party merely exists and is largely unknown to the local electorate.
- c) The conviction predominates, also in progressive circles, that jobs must come mainly from the private, profit-making sector. Government employment should be limited; it is unproductive, it is costly. Policies should stimulate private investment and return, and support hiring (but we gave evidence in the first part of this paper that investment nowadays often leads to loss of jobs). This view is propagated by the commercial media every day and has penetrated all minds.
- d) The unemployed themselves are not represented among experts and decision makers who have paid jobs.

Whatever the reasons, the present outlook is black; I had preferred it to be different.

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<sup>25</sup> <http://www.social-europe.eu/2014/03/welfare-chauvinism-threatens-european-spirit/>

