Growth: What is it good for?

Steven Tobin
ILO Research Department
Outline

• Key challenges and risks

• Potential solutions

• How do we get there?
Jobless growth

Employment and GDP in EU-28
Risks of labour market detachment

Unemployed for more than one year (% and millions)

- Total: 12 million (7.8m 2 years or more)
- Youth: 1.8 million (0.8m 2 years or more)
Support for ALMPs has waned

% change in real spending per unemployed person, 2007-11
Training efforts are limited

Participants in labour market policies
(per 100 persons wanting to work)
Yet, finding “talent” is a challenge

% of employers having difficulty to fill jobs, 2014

Source: Manpower Group
Access to finance has deteriorated
Share of SMEs reporting access to finance as most pressing problem

Source: ILO Research Department based on EU Commission
Small firms are central to jobs

Share of employment in micro firms (0-9 employee), 2012
Costs of a prolonged job recession

• Declining reemployment wages/inequality
• Declining future labour market attachment
• Social exclusion
• Skills erosion
• Competitiveness/productivity loss
• Challenges to the social security system
Demand: Enabling growth and jobs

- Start-up incentives
- “Lifelong learning” for firms/entrepreneurs
- Credit to SMEs
- There’s more to competitiveness than wages
- Support productive investments
- Complement investments with employment policies: win-win
Supply: Design and delivery matter

- Properly targeted: Disadvantage vs disadvantaged
- Implementation and delivery
- Strengthen link between income support and activation
- Emphasis on training and employability
- Demand-driven: inclusive design
- Evaluation practices need to be improved
Show me the money

• Pace of fiscal consolidation
• Shifting priorities
• Costs cannot be viewed in isolation of benefits
• Leverage existing funds: e.g. growth and investment packages
• Cost of inaction
How do we get there?

• Recognition that growth is not enough
• Comprehensive labour market strategy
• Tripartite and inclusive strategy
• Co-ordination, co-ordination, co-ordination
• More than a “one-off”: monitor and (re)evaluate