

Notre Europe Conference

Job creation and the European social model

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9 March 2006, Brussels, Belgium

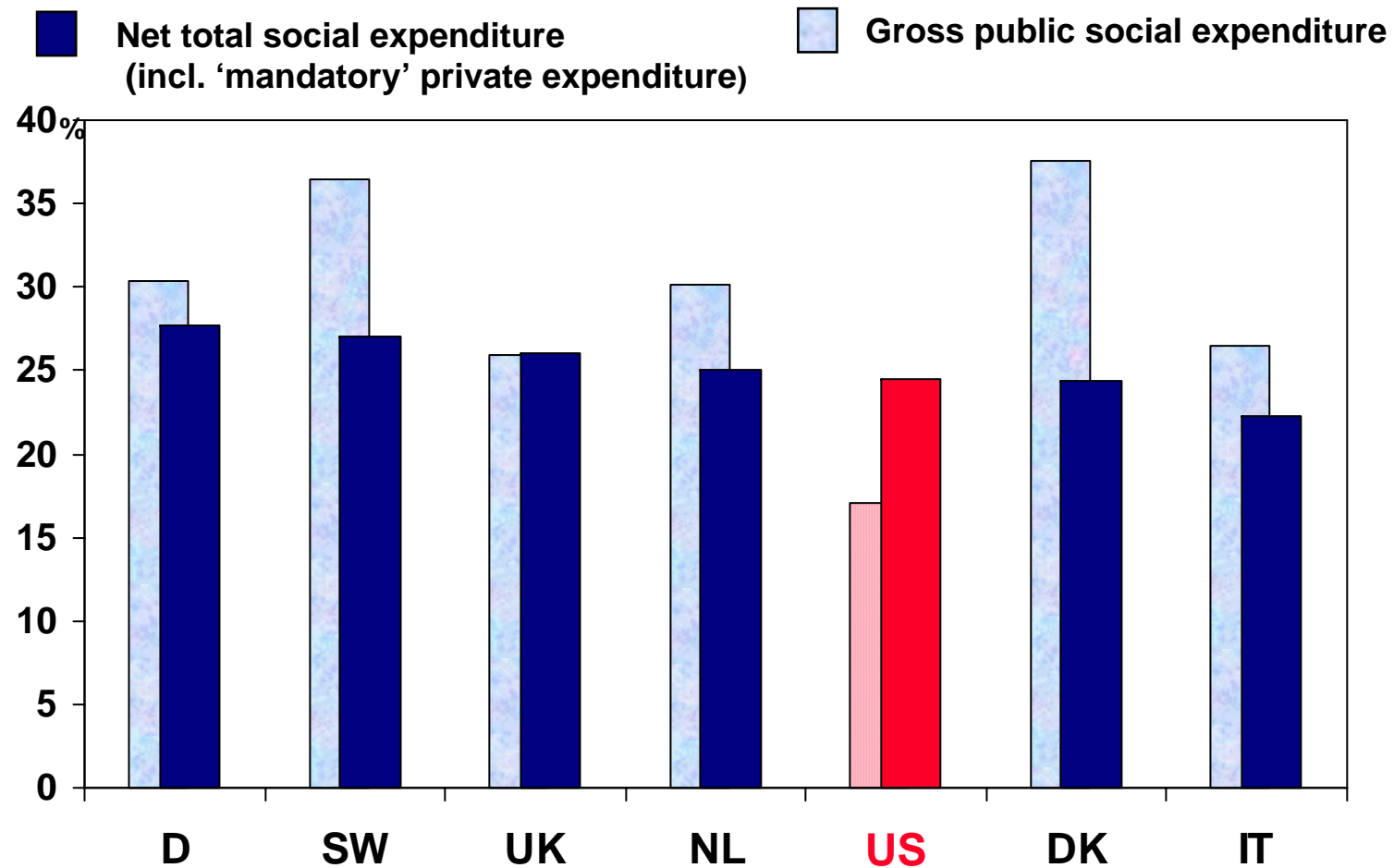
Job creation and the European social model

The struggle against
false ideologies and mythologies

***There is something rotten in the
welfare state of Europe***

Martin Wolf
Financial Times March 1 2006

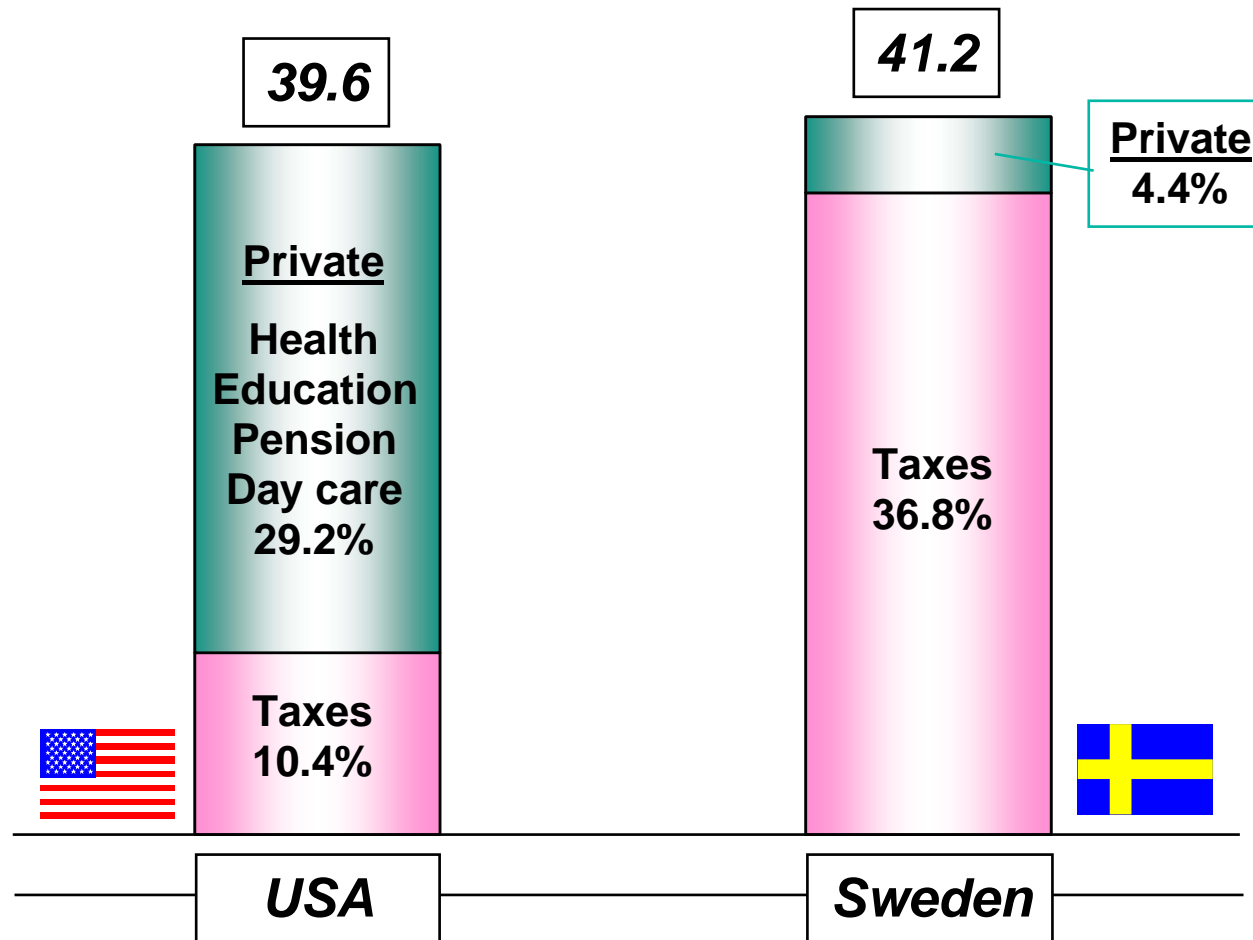
Gross and net social expenditure



1995 data : OECD calculations made in 1999 - all figures expressed as percentage of GDP

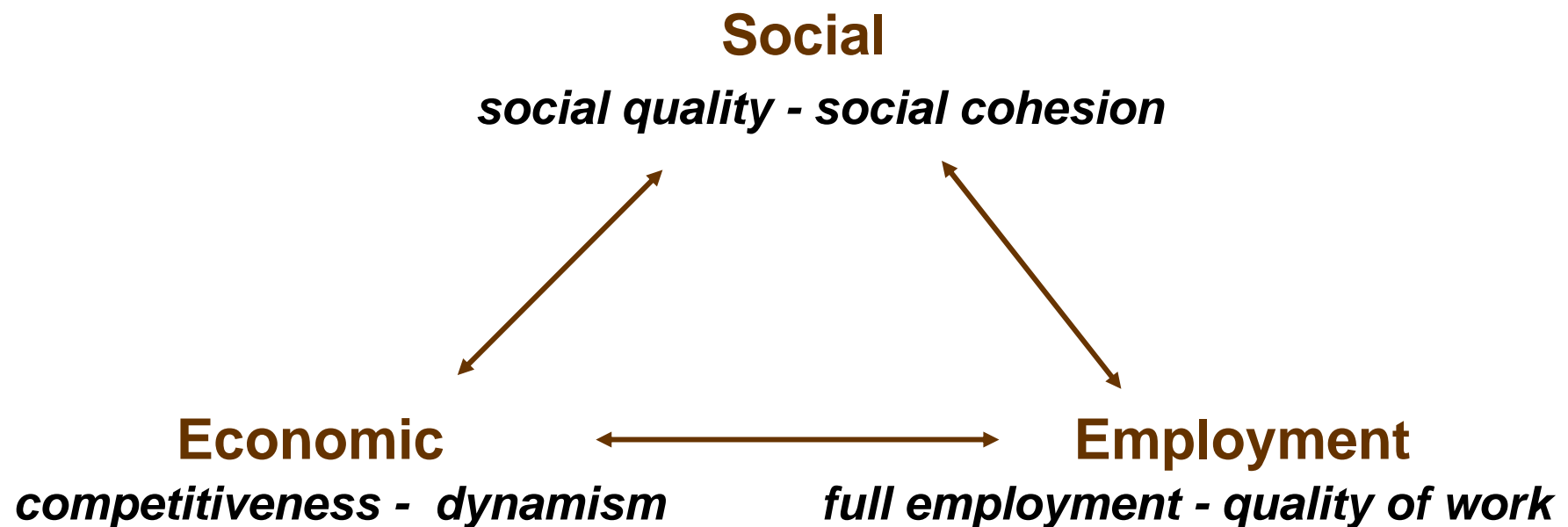
Social spending

as % of private household expenditure



Social Policy Agenda European Council Nice 2000

- creating a competitive and cohesive Europe -

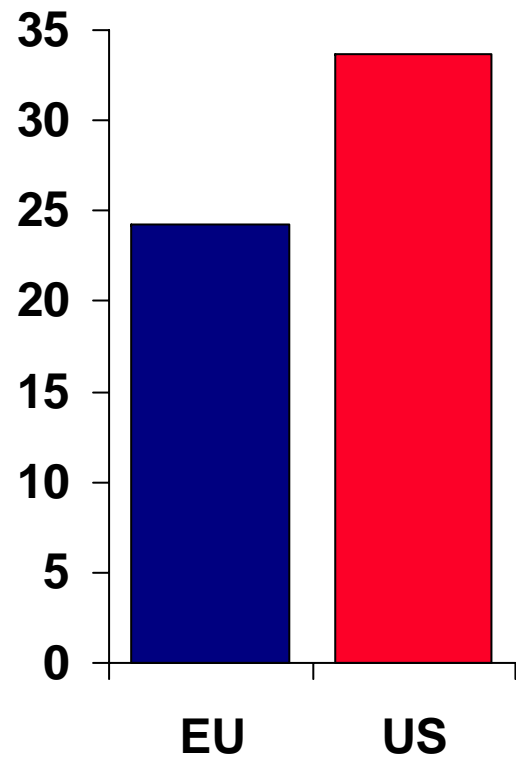


Job creation and the European social model

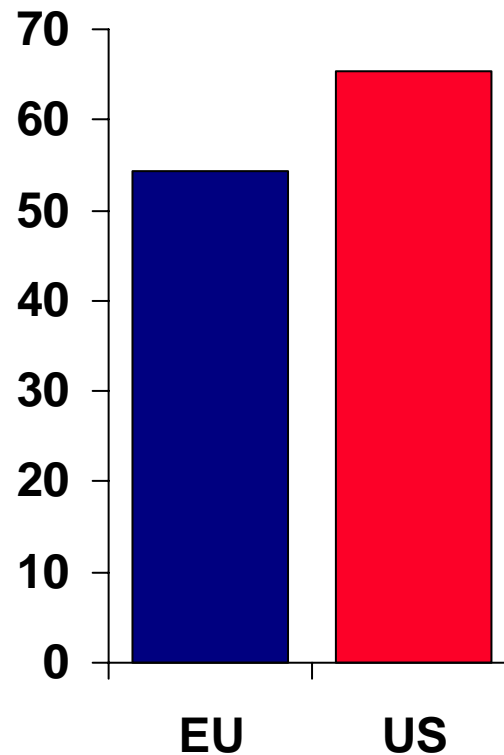
Confusion regarding competitiveness

- *Productivity – per hour, worker, or head of pop*
- *Business friendly environment - subjective*
- *Trade performance – that nobody mentions*

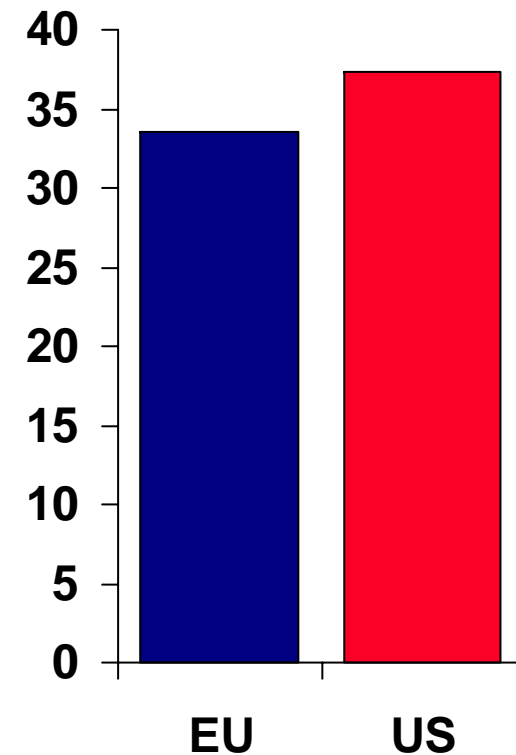
EU-US : Real incomes and productivity



**Average income
per head - 000 €**



**GDP per person
employed**



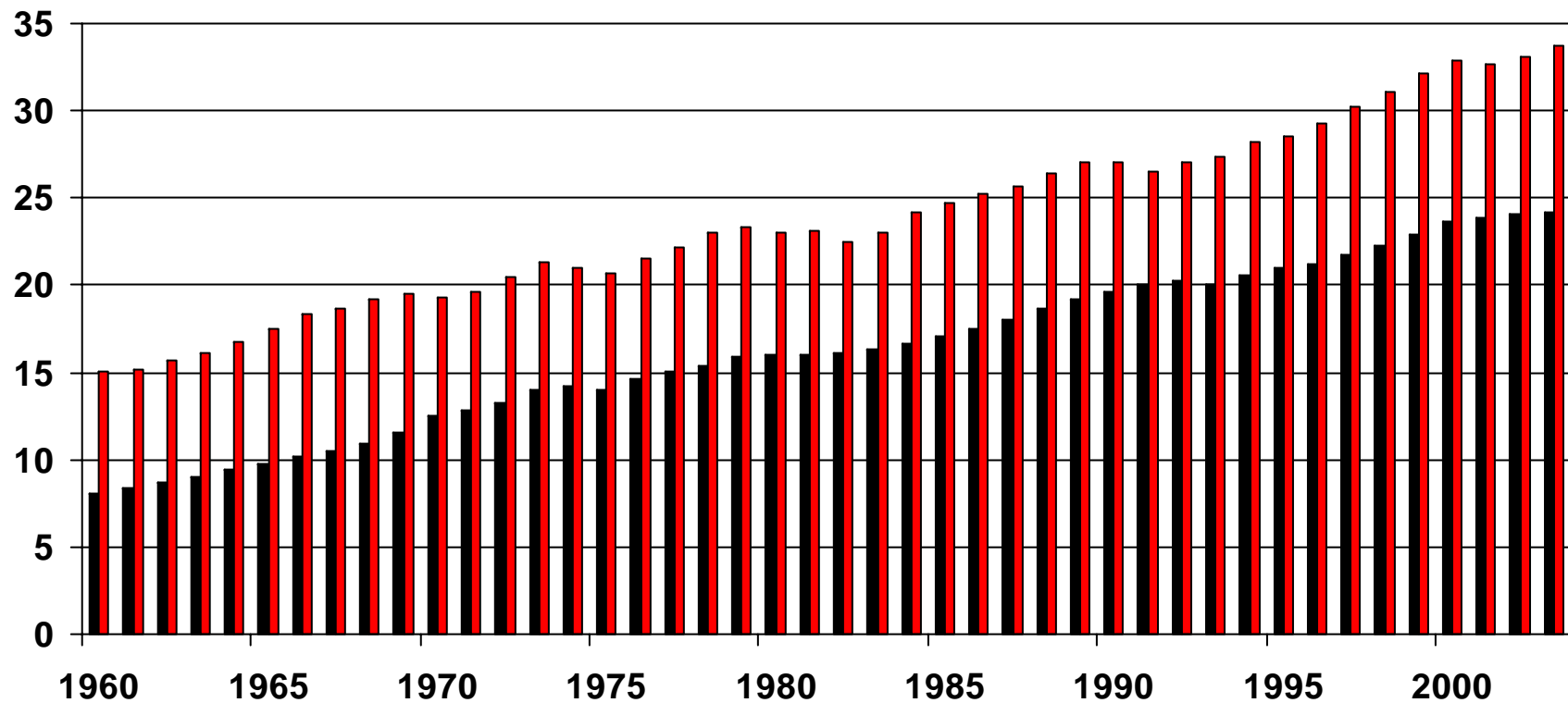
**Hourly
productivity**

Source : Eurostat and US 2003

Increases in US-EU real living standards

GDP per head per year (Thousand euros)
Purchasing Power Standards

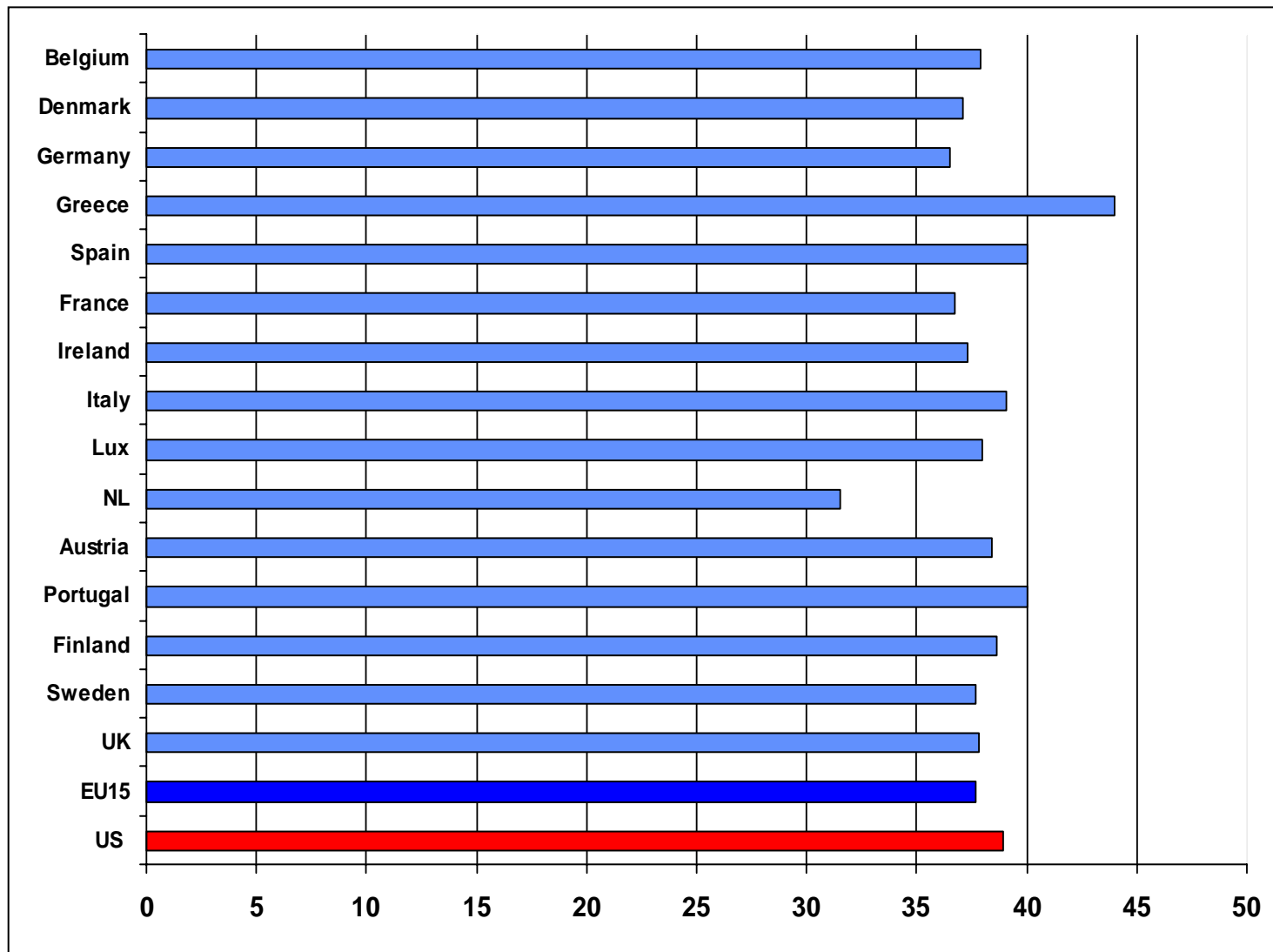
US
EU15



1960-2003

Growth in GDP per head in real terms aligned to GDP per head in PPS in 2002 and expressed relative to EU average

Average hours worked per week



Source: EUROSTAT

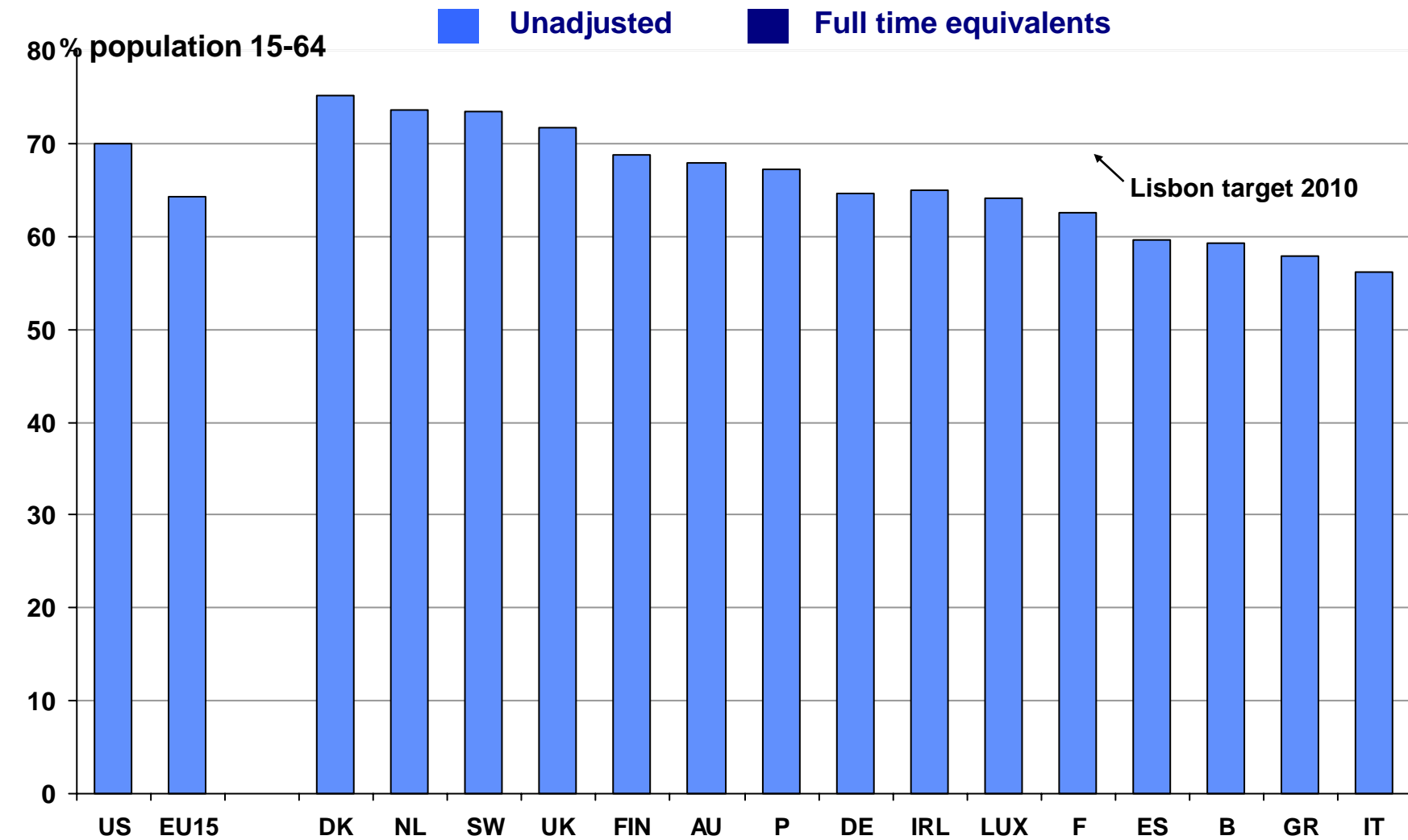
Note: data includes any second jobs worked as well as first jobs

Job creation and the European social model

Measuring employment performance

- *Relative performances of Member States*
 - *Part-time and full-time equivalents*
- *The new Member States and the US*

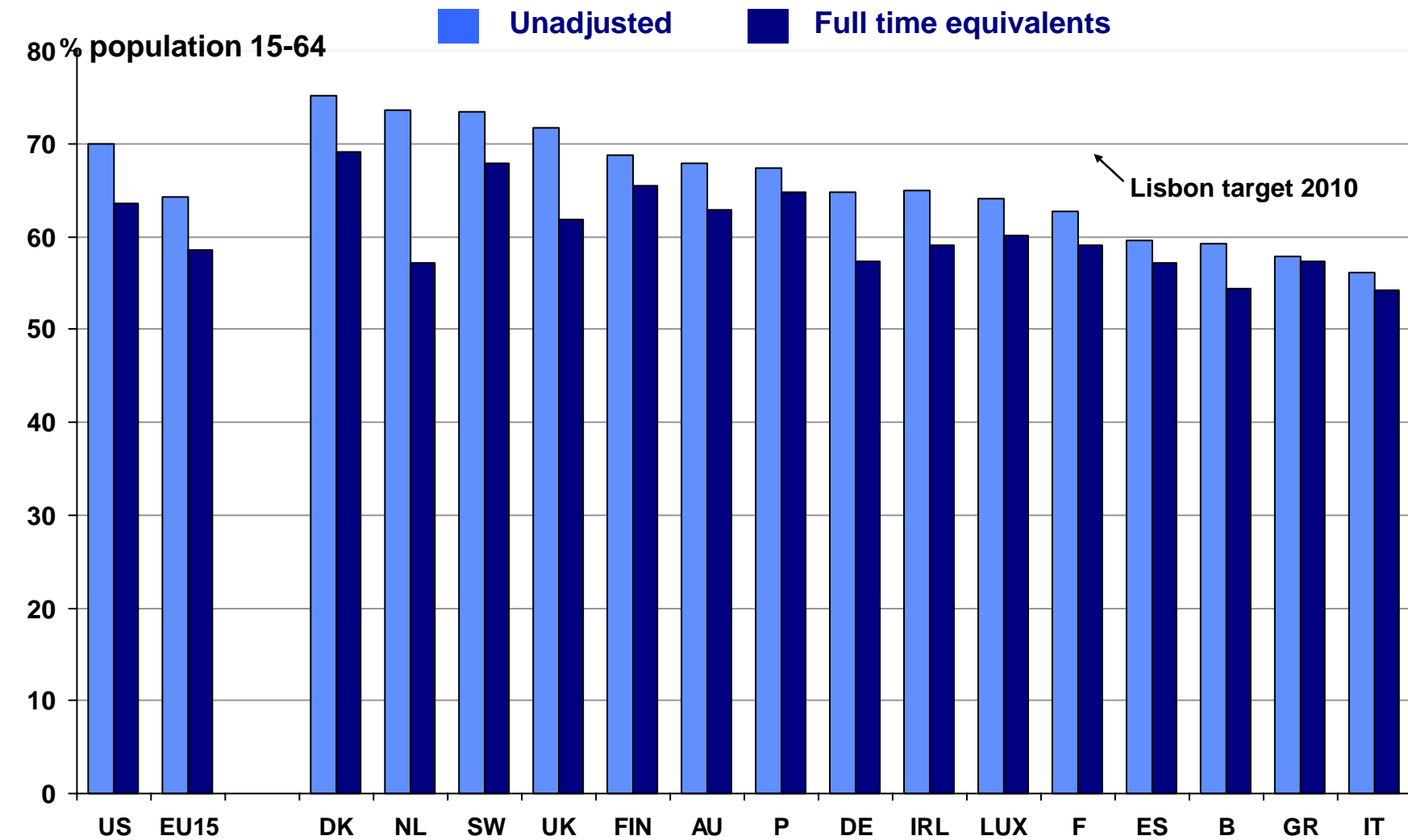
Employment rates 2003 - EU15



Number employed 15-64 as a percentage of working-age population, 15-64

Source: Eurostat

Employment rates 2003 - EU15

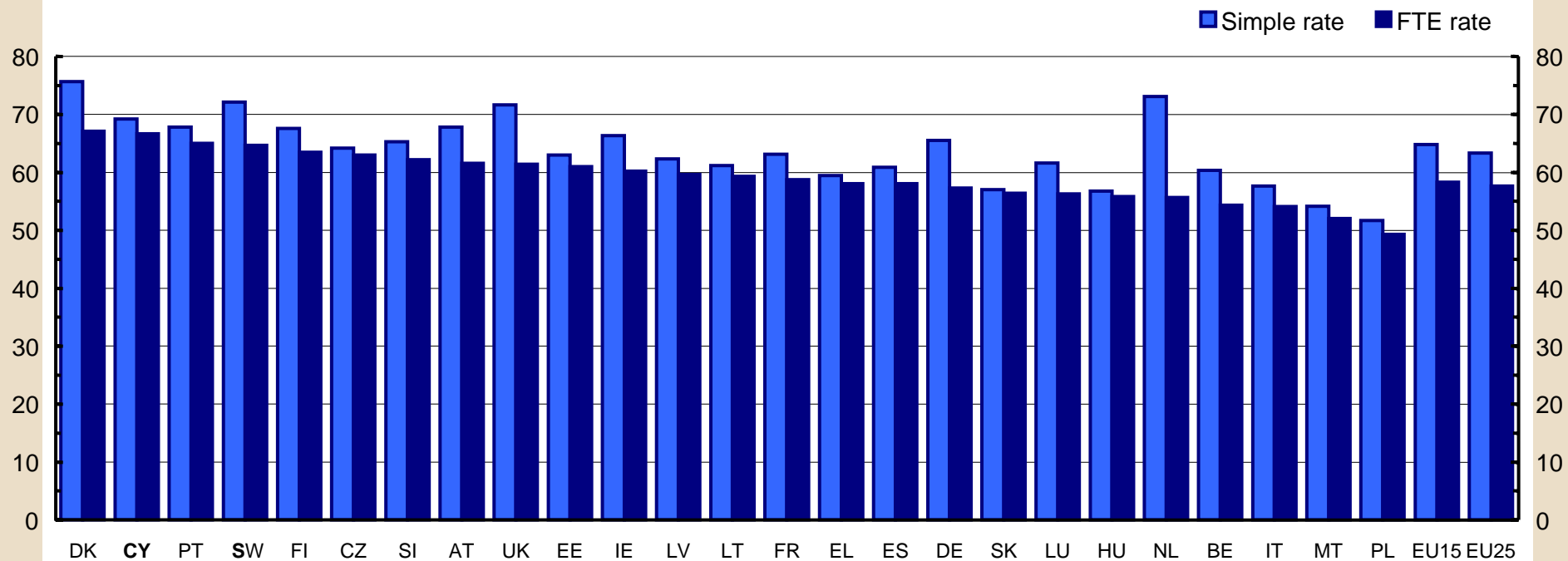


Number employed 15-64 as a percentage of working-age population, 15-64

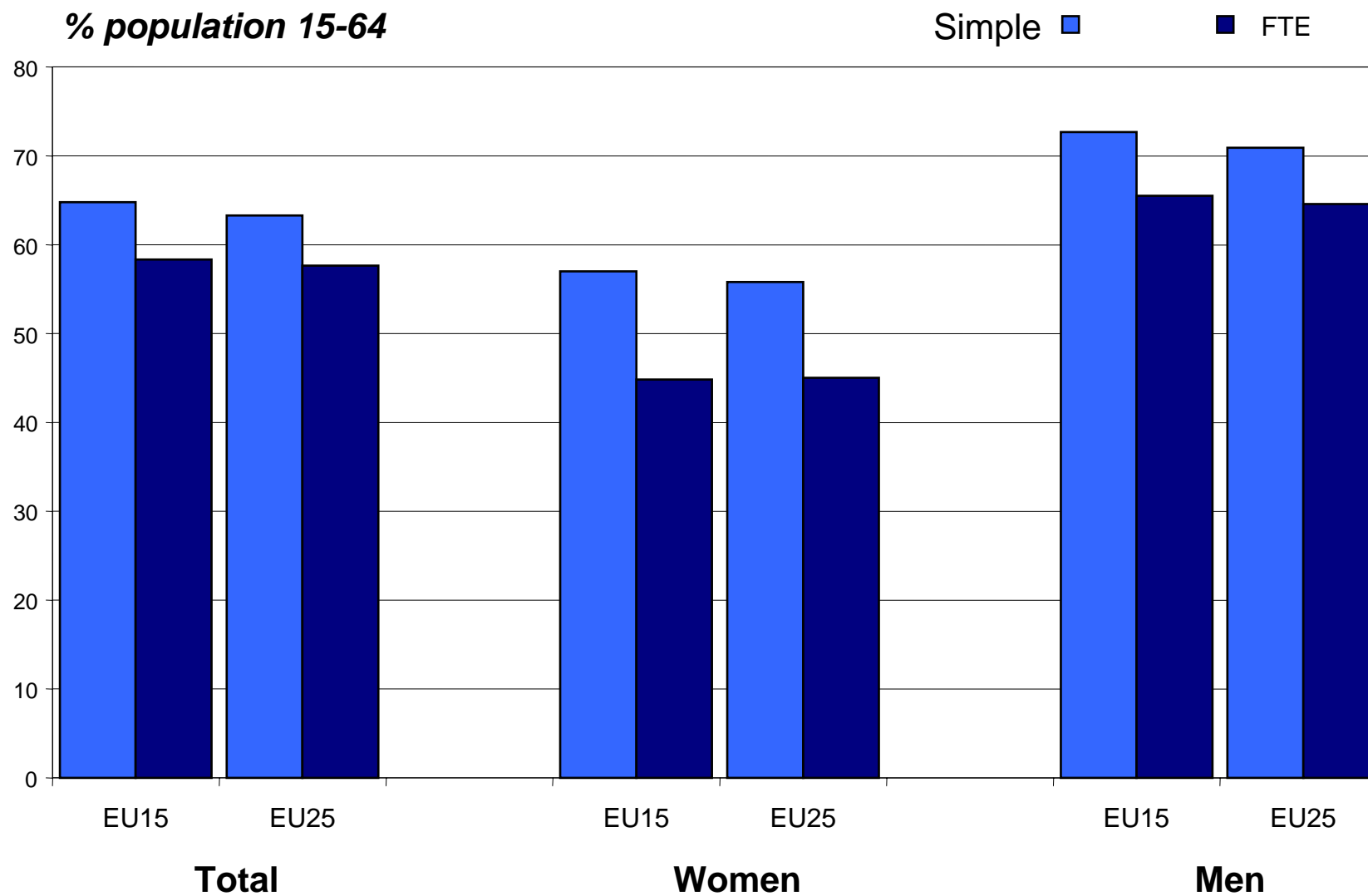
Source: Eurostat

Employment rates 2004 M&W ranked by FTE

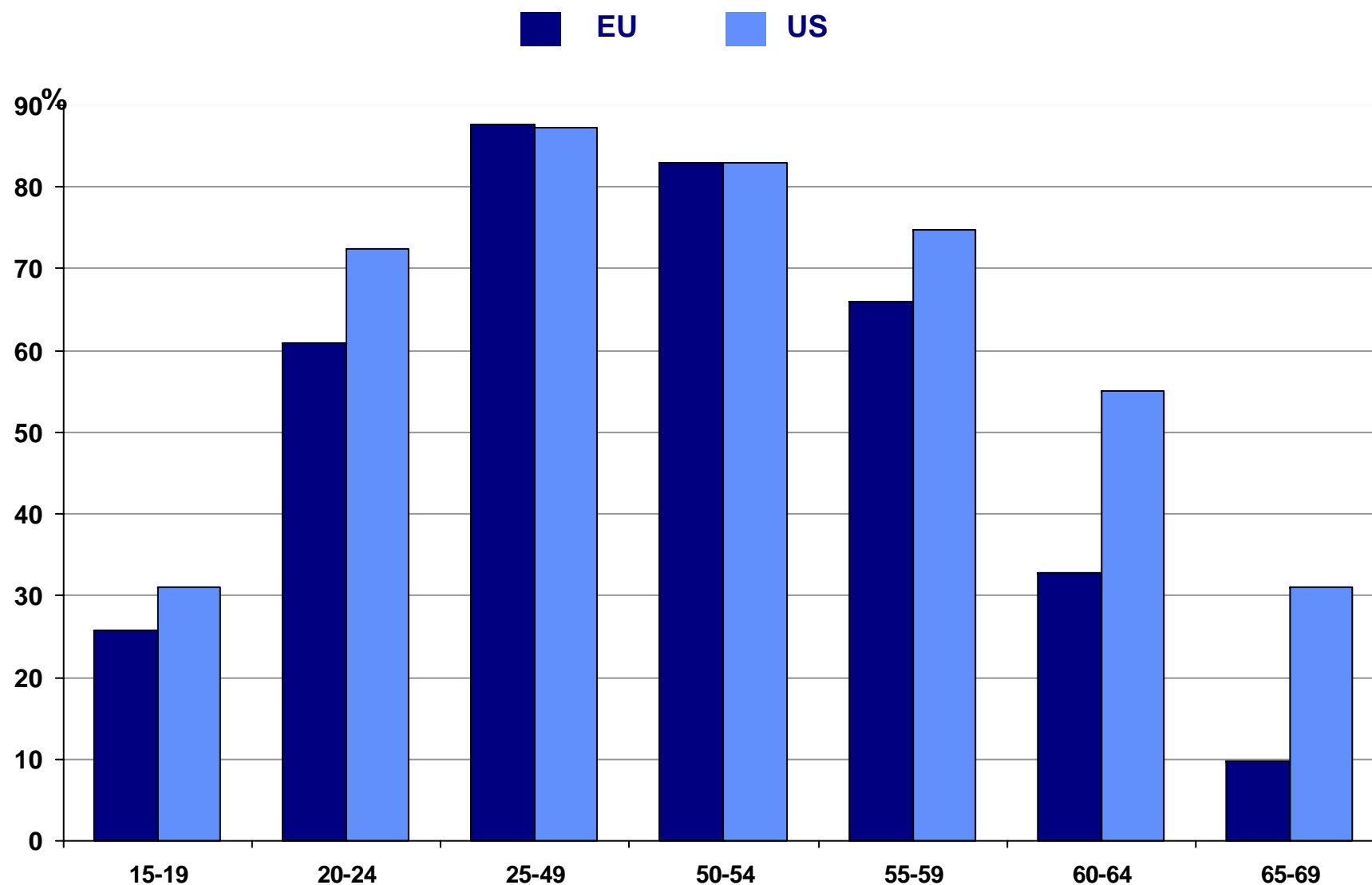
% population 15-64



Gender and employment rates EU men and women 2004

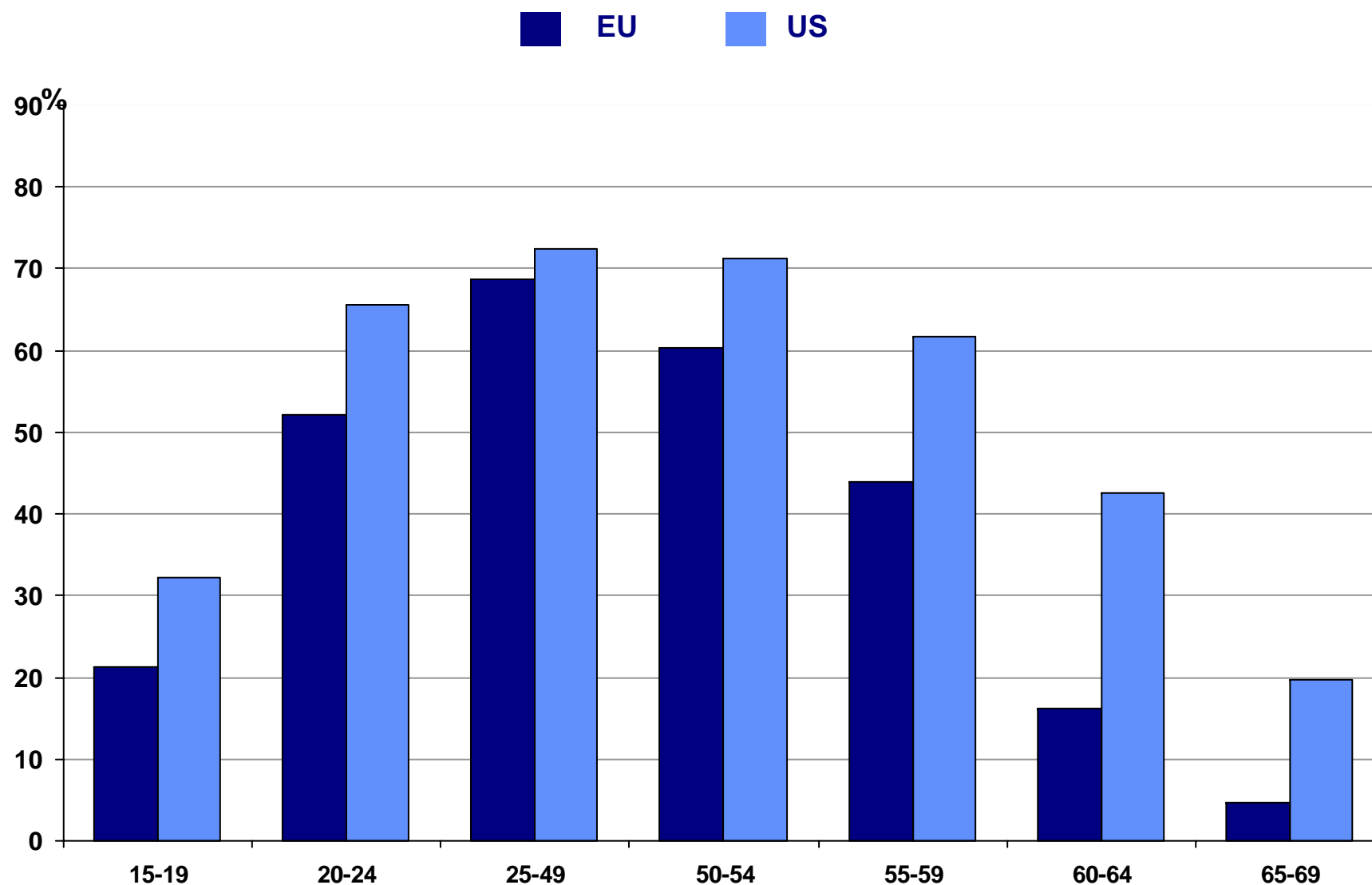


Employment rates by age (men) EU15-US 2003



Men employed as a percentage of population in different age groups

Employment rates by age (women) EU15-US 2003



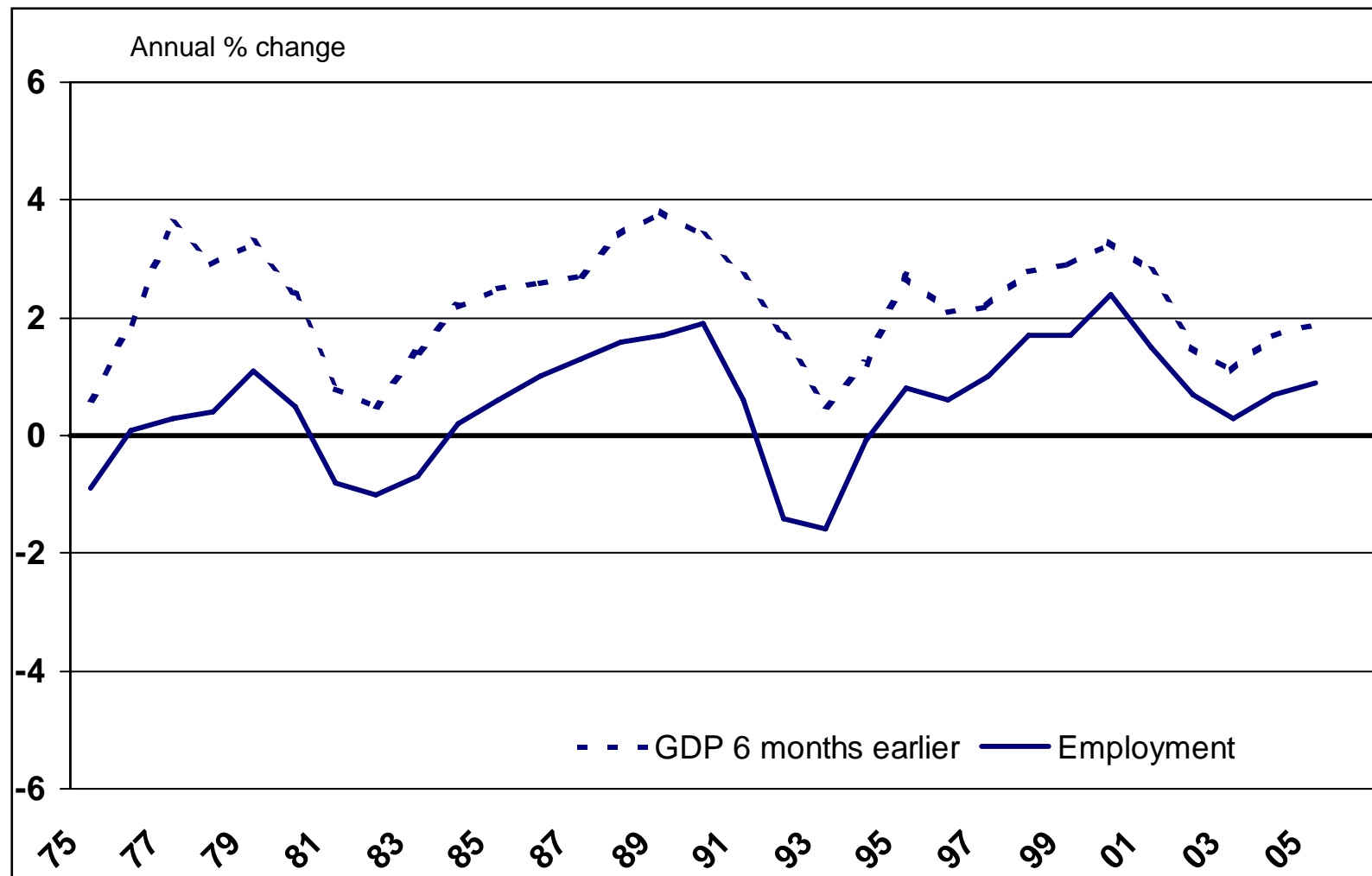
Women employed as a percentage of population in different age groups

Job creation and the European social model

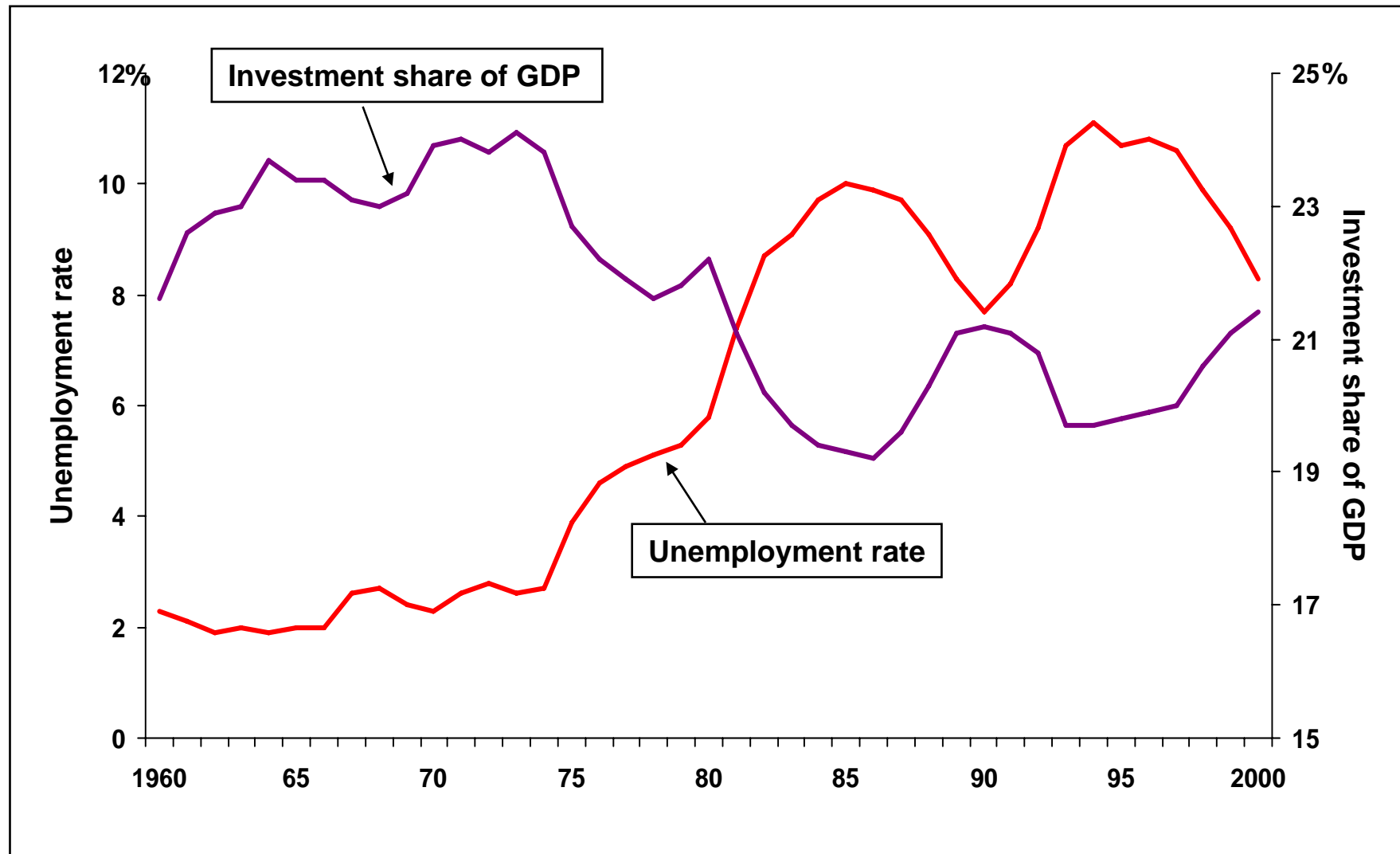
The importance of economic growth

- *Growth and employment – horse and carriage*
 - *Long-run concern – sluggish recovery*
 - *Inflation – why is it still seen as a threat?*

EU GDP and employment growth

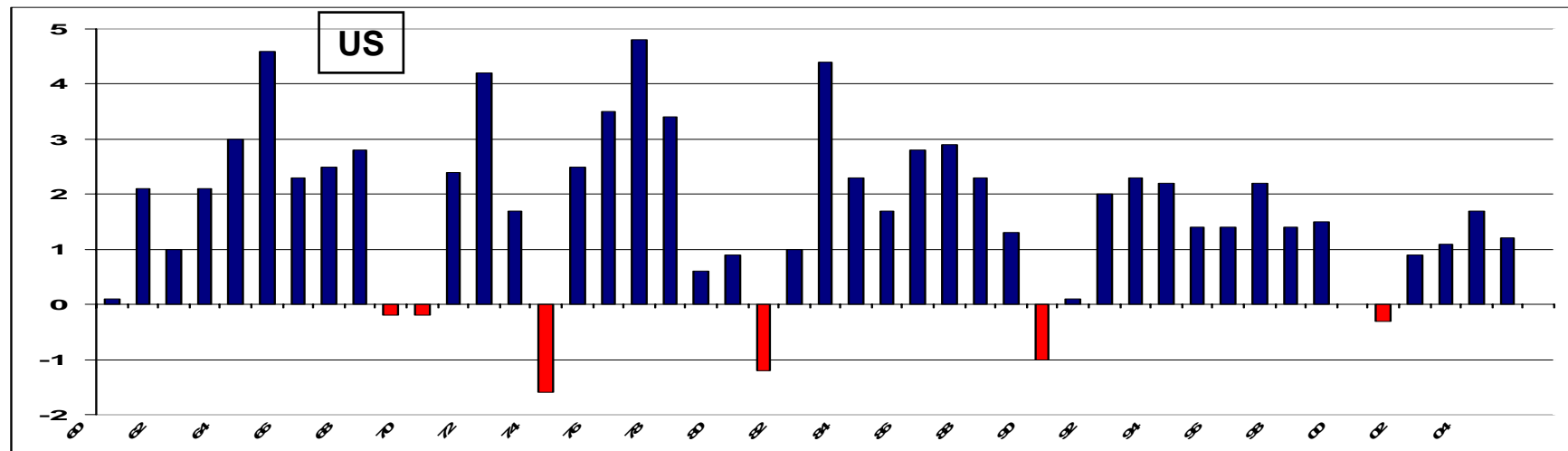
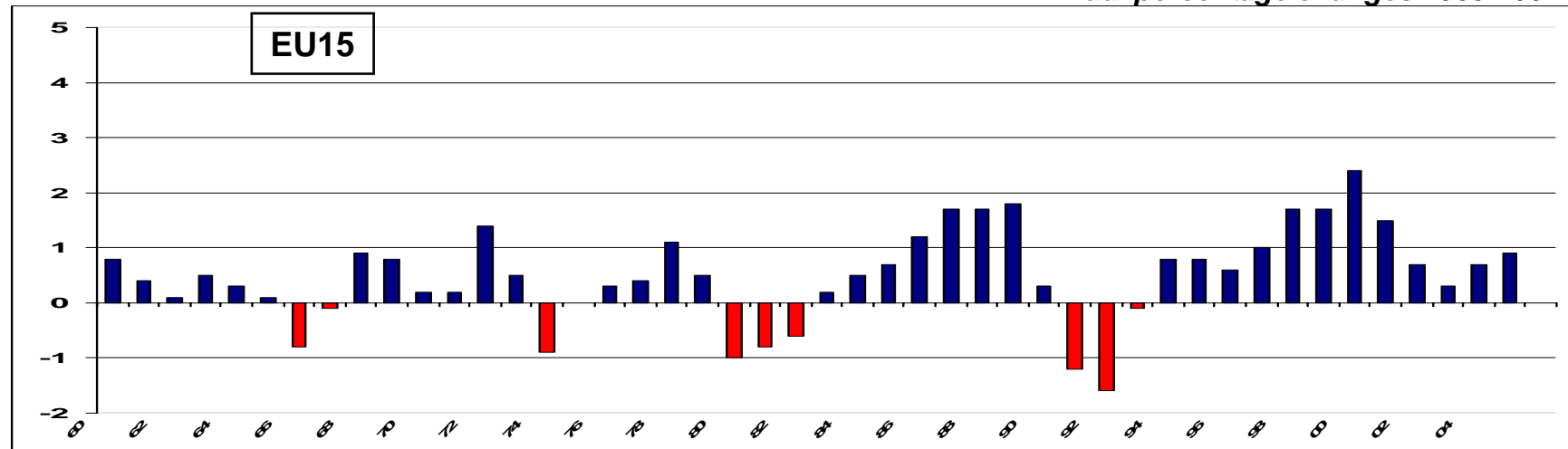


Investment and unemployment - EU15

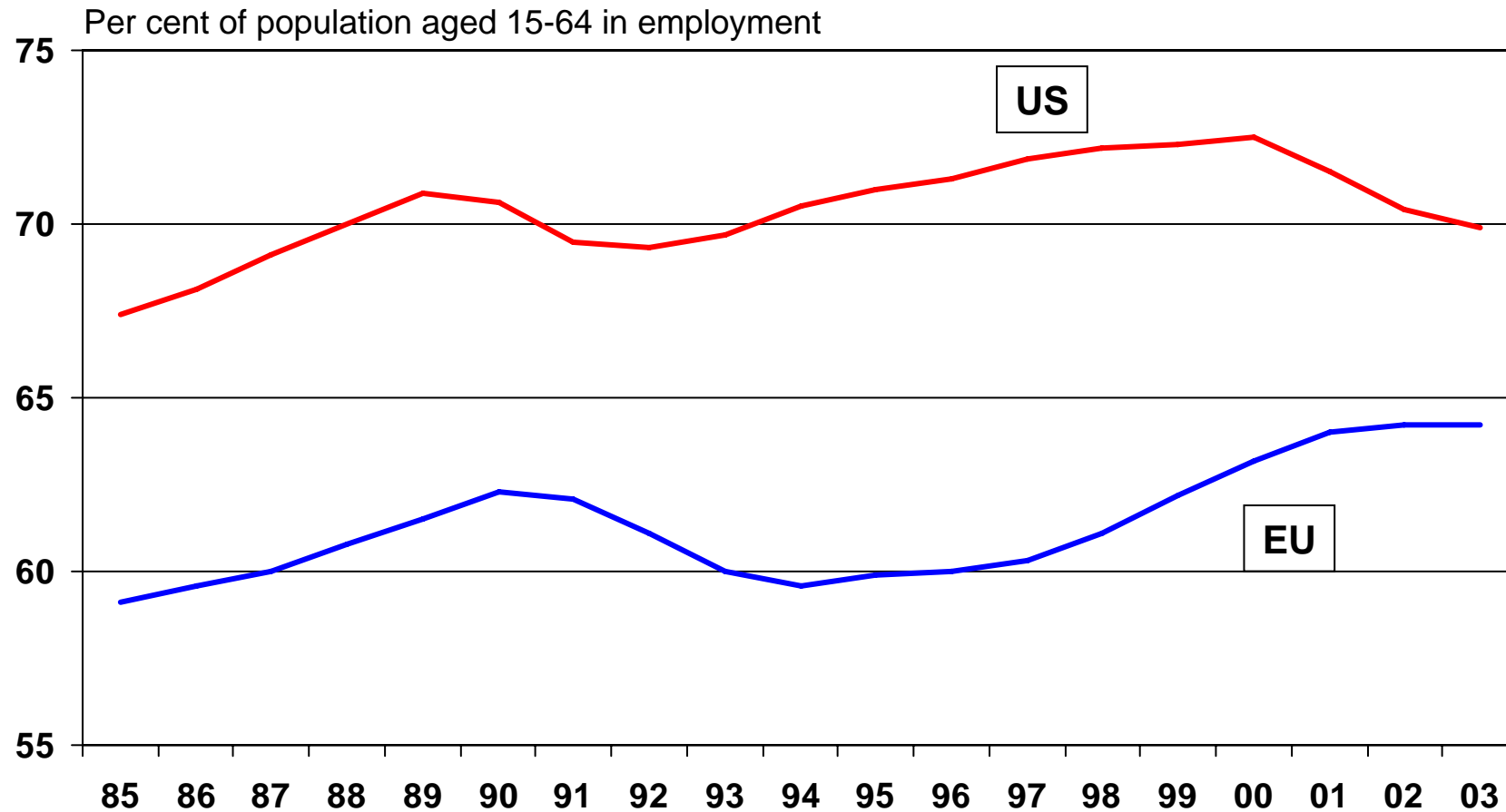


Employment growth in EU15 and US

Annual percentage changes 1960-2001

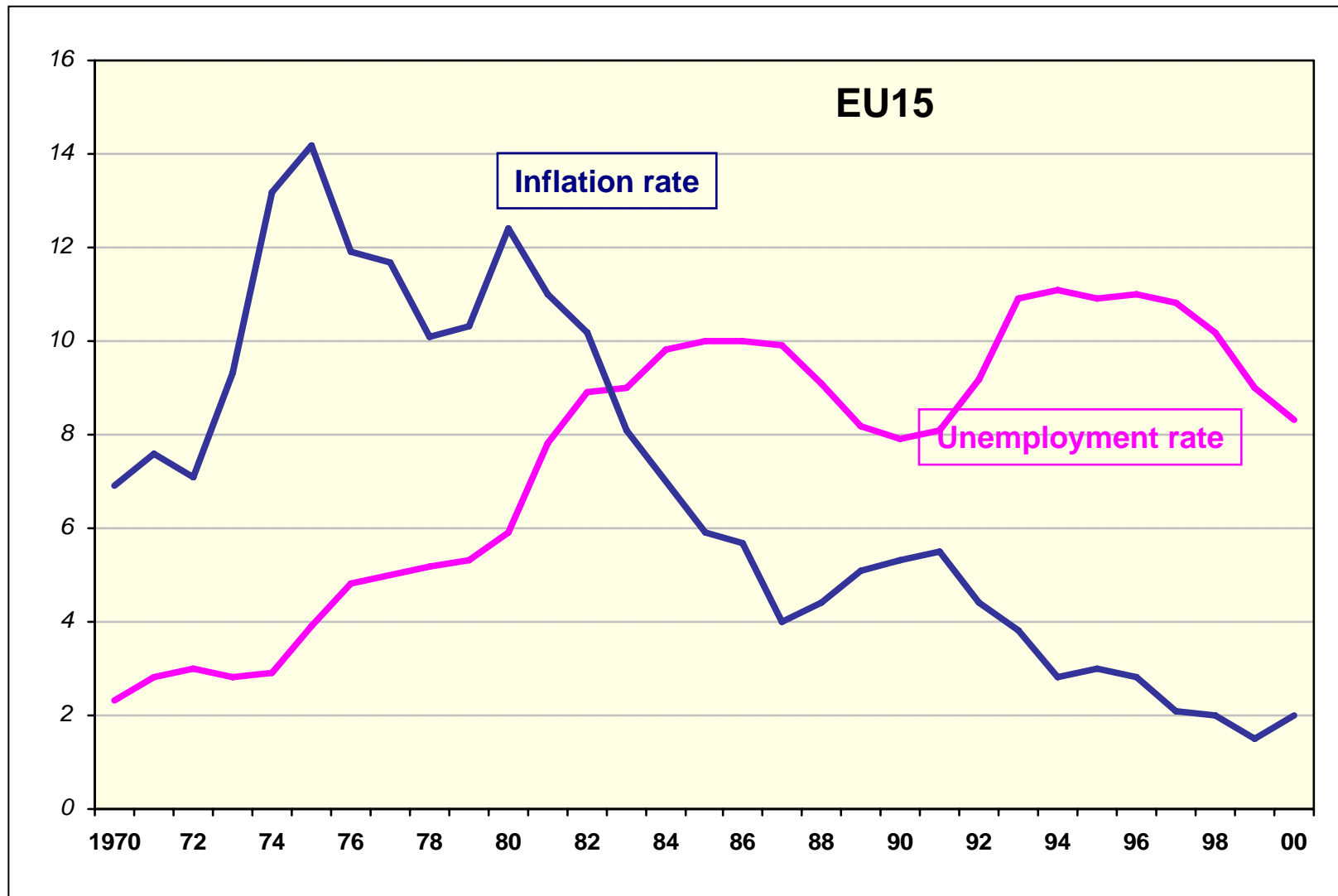


Recovery in EU employment since late 1990s

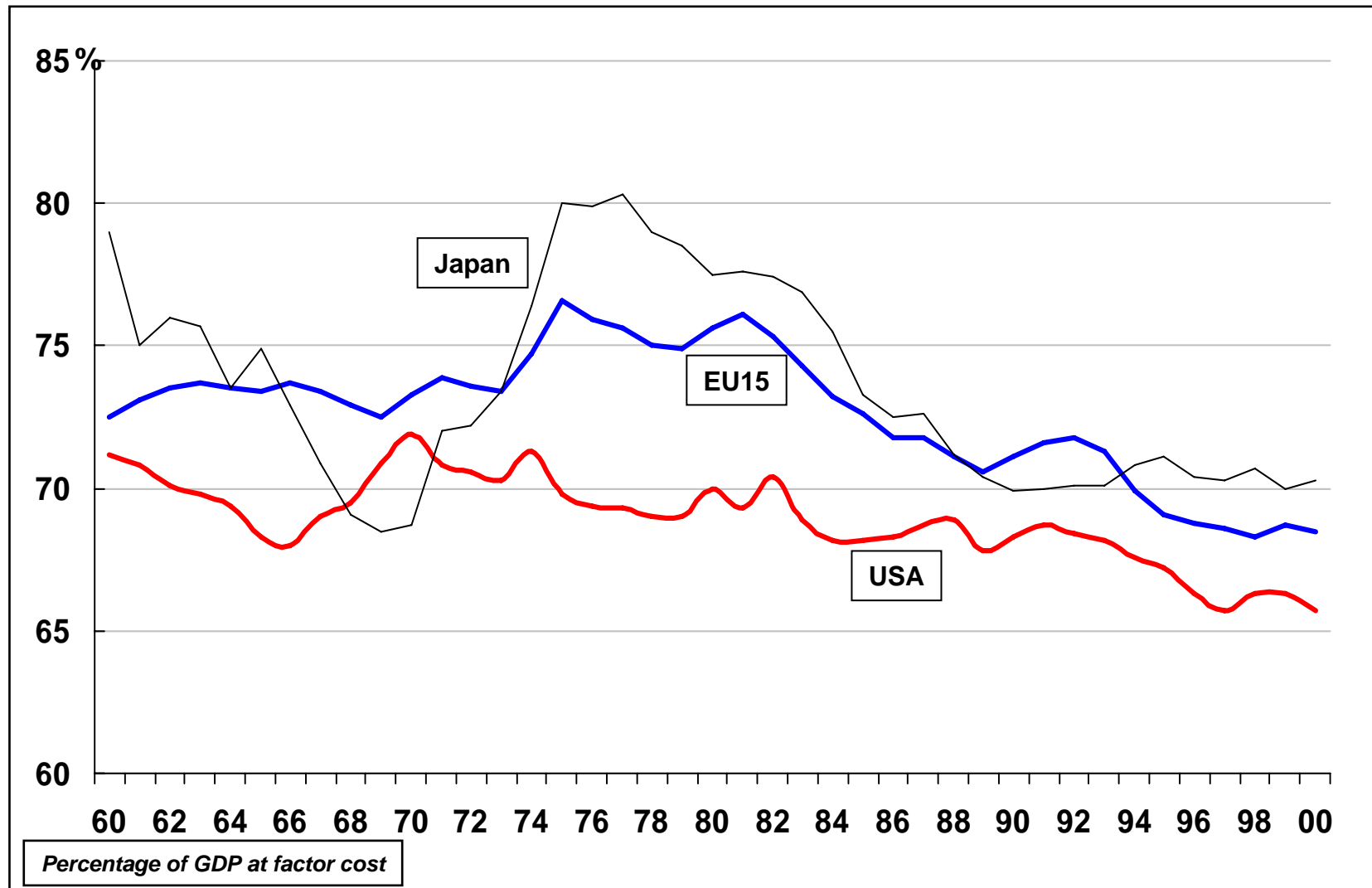


Source: US Household Survey and EU Labour Force Survey

Inflation and unemployment – EU15



Wages shares in EU, US, Japan



Job creation and the European social model

High levels of quality employment

Mainly found in countries where there are:

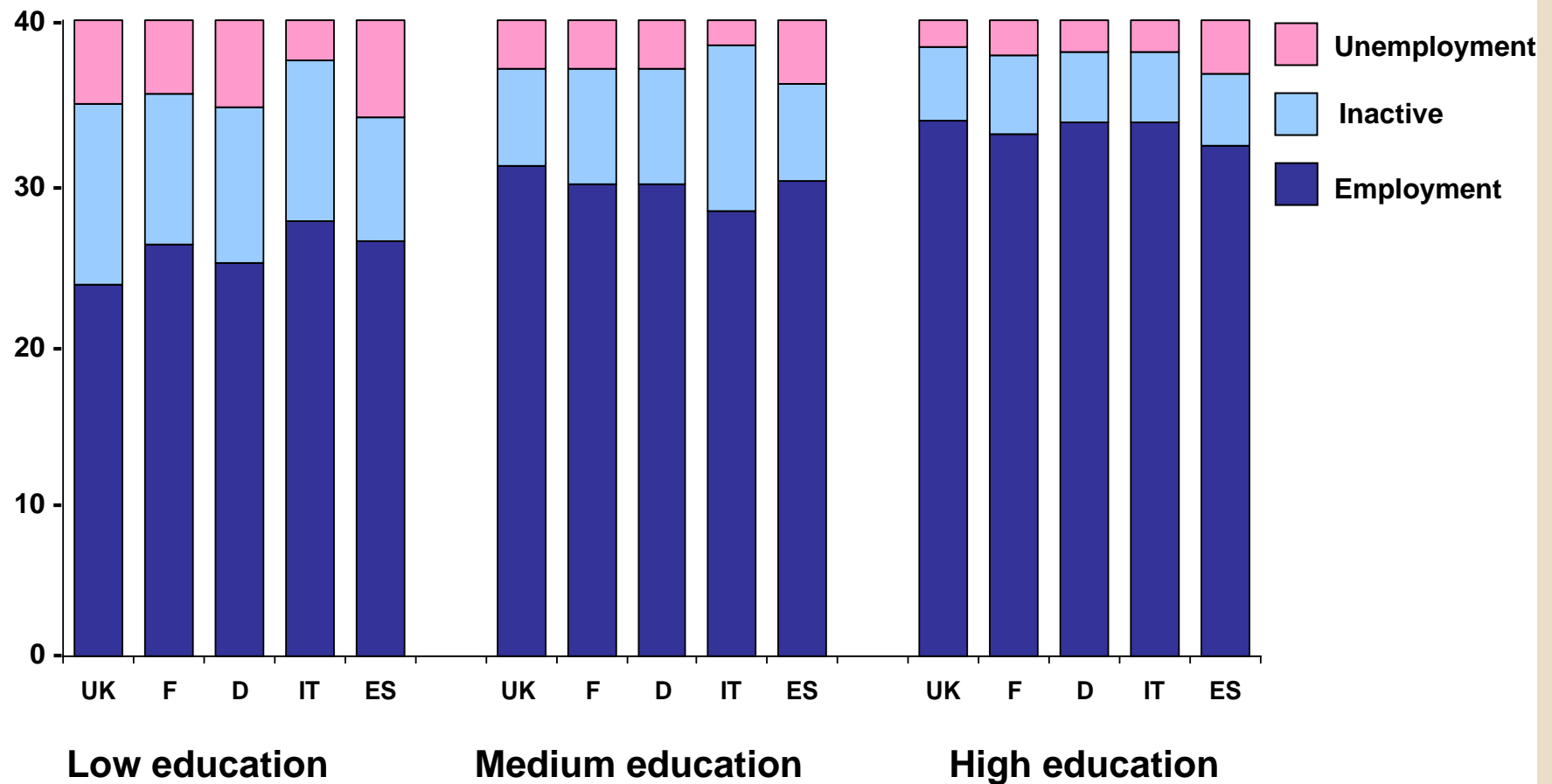
- *Egalitarian education systems*
- *Family-friendly social policies*
- *Flexible labour market systems*

supported by comprehensive social systems

as well as supportive macro-economic policies

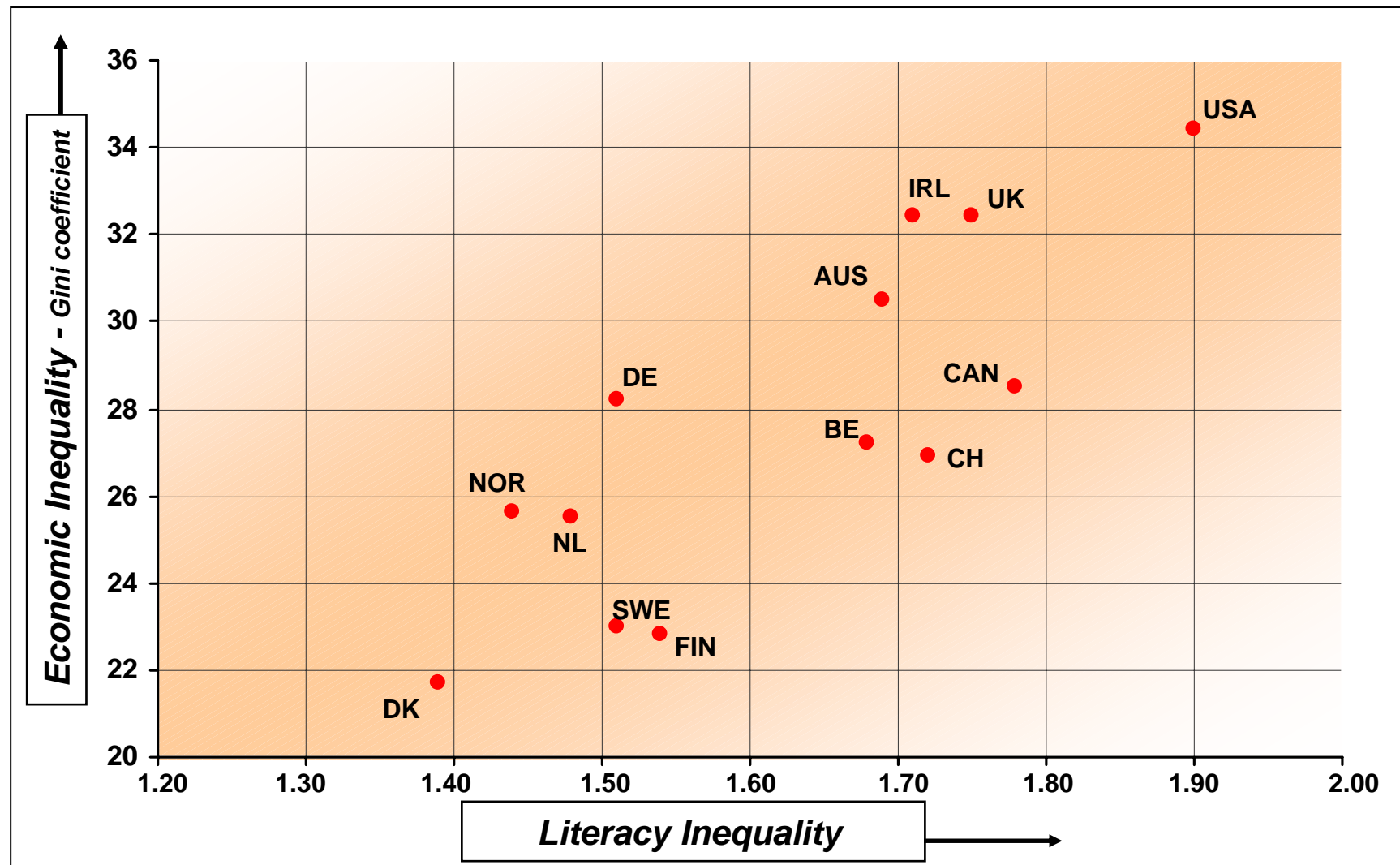
Employment consequences of poor education

40 years working life - men



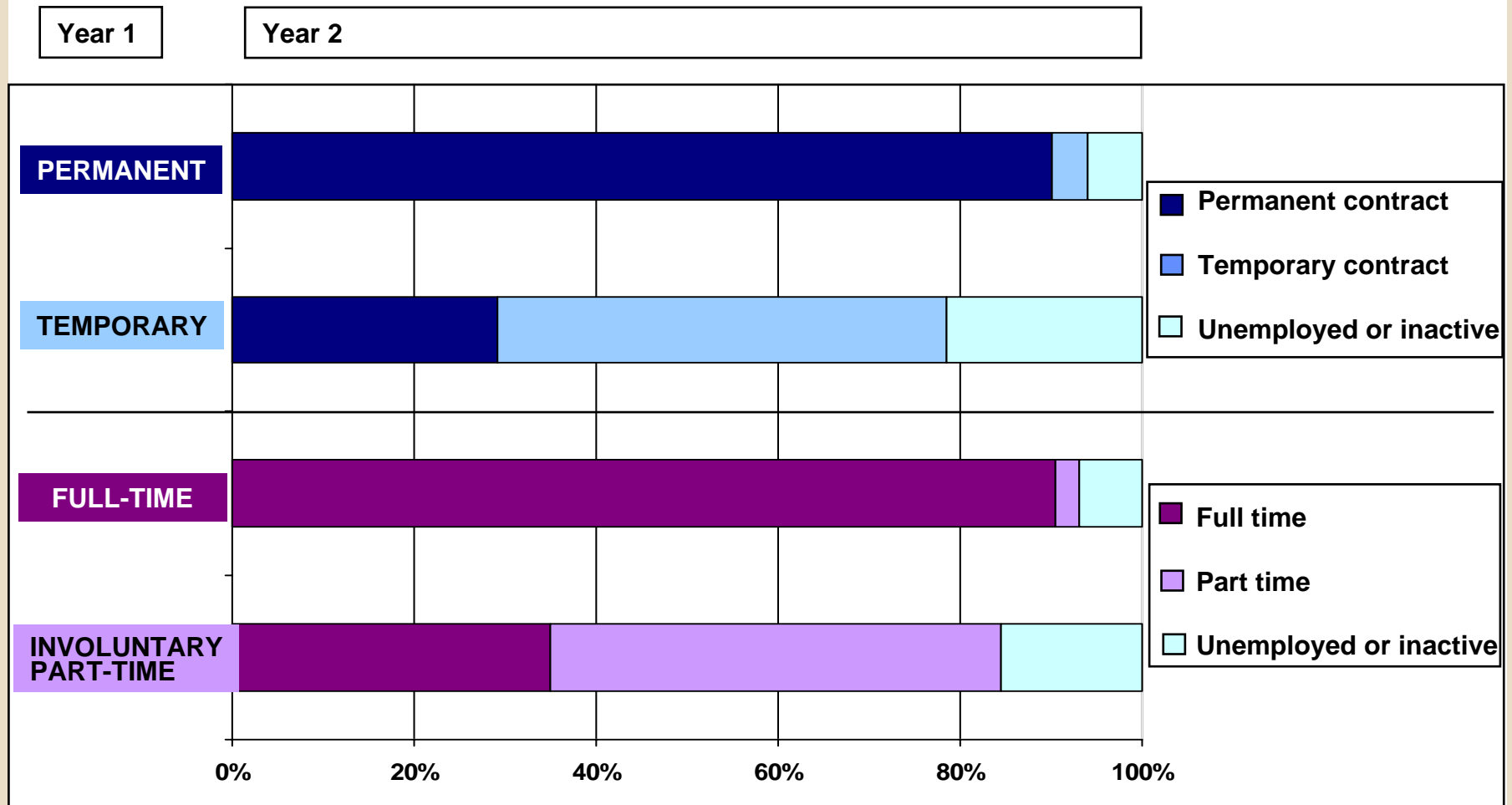
OECD 1996

Literacy and economic inequality



Source : International Adult Literacy Survey, 1994-1998; OECD, Trends in Income Distribution & Poverty in OECD Area 1999

Flexibility – transitions year to year



ECHP 1995/1996 EU14

Job creation and the European social model

Is the EU doing enough to strengthen employment and social policies?

Yes in terms of exchanging experiences, mutual learning, peer reviews etc. regarding labour market measures, social security and pension systems

No in terms of re-enforcing the basic links between economic, social and employment policies – often seem to be pushing in opposite directions

Job creation and the European social model

Within **social policy** the divide is between:

Comprehensive social support systems – which seem expensive. but enable the economy and labour market to restructure with confidence

Targeted social support – which may be cheaper (but even doubts about that) but which tends to perpetuate rather than solve social problems, and does little to raise productivity performance

Job creation and the European social model

The overall European agenda

Set the record straight about the costs of EU social systems, and the nature of labour market flexibility

Focus on the re-skilling of the workforce to match the re-structuring of the economy

Recognise the deep interdependence between employment, social and economic policies

Demand an EU macro-economic policy that is relevant to Europe's needs.

www.sowe.be

*For more information and analysis of
the EU economy and labour market*

free download of the 2004 State of Working Europe

www.thestateofworkingeurope.org

SOWE asbl

Authors: John Morley, Terry Ward, Andrew Watt

*Available in FRENCH as 'Travail et emploi en Europe'
from La Decouverte Paris*