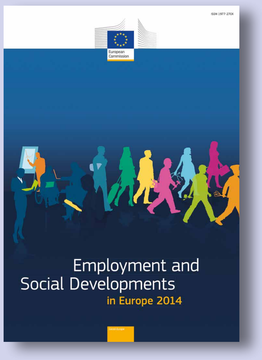
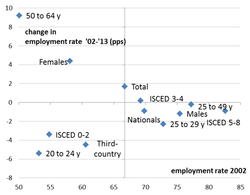
European Commission



Job creation, productivity and more equality for sustained growth

Little convergence in employment rates by group between 2002 and 2013

• Convergence in labour market participation has only been seen for women and those aged 50-64. The situation is worst for third-country nationals, workers with a low level of education (ISCED 0---2), and young people aged 20 to 24, who already lagged behind the average in 2002 and have continued to lag.



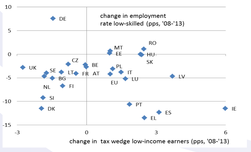
Job creation: obstacles and possible solutions

• **Obstacles**: Weak demand, access to finance, lack of start-ups, skills mismatches, more part-time and temporary work, in some cases labour taxation and employment protection legislation (EPL). But changes to EPL should be supported by a range of policies such as activation and training, employment services, lifelong learning and adequate social security systems, …

• **Possible solutions**: Reforms and investments, specifically in education, training, activation policies and health, tax shifts away from labour, framework conditions supporting entrepreneurship, …

Employment recovers but people work less

Employment low-skilled sensitive to tax wedge



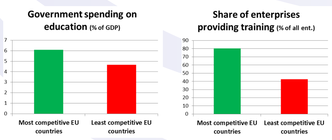
Higher productivity and stronger human capital needed

• Least educated much more affected by long-term unemployment.

• The most resilient countries invest more in lifelong learning.

• Strong and continuous investment in human capital necessary to ensure a virtuous circle of continuous innovation supporting a strong knowledge-intensive and technology-intensive enterprise sector.

Education and life-long learning are vital



Most competitive countries (SE, DE, DK, LU, NL)
Least competitive EU countries (IT, HU, SI, EL, RO, BG) (from IMD World Competitiveness Yearbook 2014).

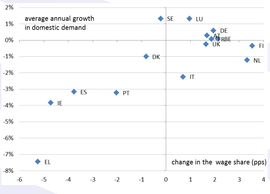
Structural reform and demand policies needed

• Little impact from structural reforms (such as institutional, product market and labour market) expected in weak demand environment.

• But "*without determined structural reforms, aggregate demand measures will quickly run out of steam*" (ECB President Draghi).

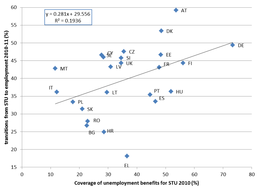
• Demand measures (such as the investment plan) and structural reforms should occur simultaneously.

Wage share and domestic demand growth, '08-'13

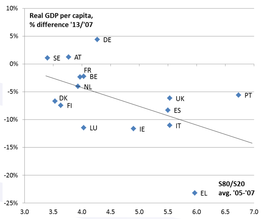


Returns to employment are linked to the coverage and adequacy of unemployment benefits

• There is some evidence that people receiving unemployment benefits have a better chance of taking up a job than non-recipients, and that adequate and widely available systems of income support do not prevent or discourage returns to employment.



More equal societies withstood the recent crisis better than less equal ones



• Theoretically the effect of inequality on GDP growth is ambiguous: higher incentives for innovation and entrepreneurship, but also lower ability to accumulate human capital (education and skills) for the poor and their children.

• Recent empirical analysis suggests that income inequality has a significant negative impact on growth. Among Member States who were in the EU before 2004, more equal societies withstood the recent crisis better than less equal ones.

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