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NOTE

From: Presidency
To: Council (EPSCO)
Subject: Investment Plan: What is in for job creation and social inclusion?

Delegations will find attached the Presidency background note on the above subject, with a view to the lunch discussion at the EPSCO Council on 9 March.

EPSCO Council 9 March 2015

Lunch discussion

Investment Plan: What is in for job creation and social inclusion?

Presidency background note

There is a consensus on the need for investment to stimulate economic growth and hence job creation in the short-term and to improve long term growth potential with investment in infrastructure, energy networks and new technologies. A number of measures introduced to address the debt crisis led to a situation where fewer resources could be devoted to investment related to education, health and social sectors.

With the current investment levels in the EU lower than 2007 by nearly 380 billion euro (or approx. 15%), the EU is confronted with a considerable shortfall and the economic recovery experienced so far in some Member States has not yet resulted in improved labour market performance. In the EU-28, the unemployment rate stood at 9.7% in December 2014 while it was at 11.4% in the Euro Area. This translates to over 24 million Europeans unemployed, of which close to 12 million have been looking for a job for one year or more.

Economic development, job creation, long-term growth and competitiveness in Europe are being severely hampered as a consequence of the global economic and financial crisis. The Commission published the communication “An Investment Plan for Europe”¹ on 26 November 2014 to boost public and private investments.

This Investment Plan, as endorsed by the **European Council** in December 2014, calls for economic growth and job creation through investment in a three-component approach. Long term financing should ensure that jobs created will be of a sustainable nature. The main objectives will be:

¹ Doc. 16115/14

- reversing downward investment trends and helping to boost job creation and economic recovery, without weighing on public finances or creating new debt;
- taking a decisive step towards meeting the long-term needs of the economy and increasing competitiveness;
- strengthening the European dimension of human capital, productive capacity, knowledge and physical infrastructure, with a special focus on the interconnections vital to the Single Market.

The Investment Plan mainly focuses on infrastructure, and particularly on strategic (digital and energy investments in line with EU policies) and transport infrastructure in industrial centres. It is planned that “soft infrastructure” will also be a funding priority, particularly concerning education, research and innovation. Additionally, investment in developing human capital and boosting employment through SME funding and measures promoting youth employment, will be prioritised.

The ILO report “An Employment-oriented Investment Strategy for Europe” (2015) outlines the conditions for maximising the employment impact of the Investment Plan at a time when GDP growth for 2015 has been revised downwards. The ILO has estimated that with an adequate design and allocation, over 2.1 million net new jobs could be created by mid-2018 through the Plan. Private sector investments and involvement of SMEs is key to enhancing these employment effects. According to ILO monitoring the employment impacts of the Plan could increase its legitimacy and support.

Improving and adapting skills will also be central to any investment strategy that seeks to improve labour market outcomes. Training programmes, in particular measures to address the specific needs of unskilled and long-term unemployed will be of great importance in this respect.

Strengthening the competitiveness of the EU economy and eventually reversing the sliding economic trends is a major contribution to creating more and better jobs. The regulatory framework needs to be supportive towards attracting both private and public investments.

When implementing the newly proposed Investment Plan, it would be important to ensure that new investments promote growth, competitiveness and the creation of additional jobs and that appropriate economic and social impact assessments are carried out on these investments.

Against this background, Ministers are invited to consider the following questions:

1. *What would be the most favourable conditions for reaping the full benefits of the Investment Plan? Do the priorities of the Investment Plan match the needs at the EU and national level?*

2. *What measures are intended to maximise the employment impact of the Investment Plan and ensure its sustainability in terms of quality jobs and social inclusion?*
