WHAT HOPE IS THERE FOR THE 27 MILLION UNEMPLOYED IN EUROPE?
By Frank Roels

Preparing for the Progressive Economy Forum in Brussels¹, I compared several proposals for economic growth, and in particular which prospects they create for the unemployed. In this first paper, I examine two fallacies with respect to employment that are omnipresent in the media and political discourse. In the subsequent article, we shall look at the number of novel jobs that can be expected.

The fallacy of “investing”

In many discourses, “investment for growth” is proposed as an answer to the crisis. However, “investment” has various meanings. Often it is equated to job growth; but this is erroneous in most cases in today’s economy. Indeed, the biggest investments nowadays, totalling dozens of billions each year, are fusions or take-overs of one corporation by another, resulting in overlap or synergies that require fewer personnel. Jobloss is the result. For a shortlist, see².

A second common type of large investment is restructuring, in order to increase productivity and/or lower production capacity in response to a slack of demand; the explicit goals are fewer jobs to reduce labour cost, and to maintain or improve net profit.

¹ March 5-6, at the initiative of the S&D fraction in the European Parliament.
http://www.progressiveeconomy.eu/content/annual-progressive-economy-forum-5-6-march-2014 http://www.progressiveeconomy.eu/publicpapers
² Apple is repurchasing shares for 100 billion, which pleases its stockholders but creates no jobs. Munich Re will repurchase shares for 1 billion euro. Vodafone buys the Spanish cablecompany Ono for 7.2 billion €, mentioning synergies; Numéricable buys SFR from Vivendi, for 11.75 billion €; LetterOne (Michail Fridman) buys the oil- and gasbranches of RWE for 5.1 billion €; Virgin Money paid £747 million for Northern Rock; Anglo American paid $5.1 billion for shares of De Beers; G4S paid £5.2 billion for ISS; SABMiller bought Foster for 7.3 billion euro; United Technologies paid $18.4 billion for Goodrich including its debt; Mitsubishi paid $5.39 billion to Anglo American for shares of coppermines in Chili; Gilead Sciences Inc. around $11 billion for Pharmasset; Merck paid $41.1 billion for Schering-Plough; Teva $6.8 billion for Cephalon and 3.625 billion euro for Ratiopharm; Pfizer $68 billion for Wyeth; Roche 45 billion for Genentech; AB Inbev 57.8 billion for Anheuser-Busch and Oriental Brewery; Rio Tinto 98 billion for Alcan; Nestlé 9 billion for Pfizer baby foods; Coca-Cola 3.2 billion for Vitaminwater; Vitol $2.6 billion for the Shell refinery in Australia and $1 billion for Shells production in Africa; Warner Bros more than 200 million for Eyeworks; Arseus 160 million for five pharmacies; Nyrstar 738 million for Breakwater Resources en Farallon Mining; Euronav tankers from Maersk for 1 billion, and OSG for 225 million; faceBook 11.7 billion euro for WhatsApp; Verizon Communications purchased stocks of Verizon Wireless from Vodafone for $130 billion, and with this money Vodafone treats its shareholders to $82.5 billion; Verizon Wireless meanwhile decreases its workforce by 5,200; etc. AT&T made a bid for Vodafone for 72.4 billion eur. Comcast is buying TimeWarner Cable for $45.2 billion. Actavis is offering $25 billion for Forest Laboratories. Mercuria (Swiss) buys the commodities trade from JP Morgan, for $ 3.5 billion.
Increasing competitiveness is another credo in political and business circles. But it always results in job loss in the lesser competitive enterprise, and in a smaller number of jobs where productivity is higher. In the internal European market, job creation is zero. And when considering the exports out of Europe, are there truly some businessmen who hope to beat the Chinese and Indian working conditions?

In fact, substantial job growth in the private sector is always dependent on significantly higher demand on condition that the latter exceeds the existing production capacity; because it is the clients who must pay for the bill. If future demand is uncertain, hiring will be postponed; instead personnel will work overtime, and/or clients are asked to have patience. At present, many businesses have an unutilized capacity.

What type of investments do really create novel jobs? Innovation? Again, it depends. Not so, if a computer program replaces employees (example: pc banking). More of such developments are predicted to be forthcoming. Job creation does result in case the investment simultaneously raises its demand: the most evident example is building works, either for private or public clients: roads, bridges, houses, schools, hospitals, homes for old-aged, energy plants, as well as renovation and insulation of the same. And of course, military expenditures, which are ordered and paid for by governments. It is important to note, that for almost all of these jobs, public funding or public support is the motor (keep this in mind, for the subsequent chapter on employment). So, investments in each specific case should be questioned in terms of job creation.

The fallacy of activation

Most European governments continue to propagate and organize so-called activation of the unemployed. This includes a) short time training, in languages, skills, and stages in enterprises; b) mandatory uninterrupted applying for jobs; c) sanctions if an individual does not fully comply. In addition, in some countries, unemployed must carry out unpaid jobs. Unemployment benefits are being lowered in several ways. For example, next year, Belgian youngsters will lose their benefits if they have not compiled 312 working days in 3 years; widows and widowers under 45 will lose their widow’s pension after 1-2 years, “to motivate them for work”. While training is always useful, and is a must for

---


4 Due to the ever-increasing rise of productivity and automation (while the hours worked per employee do not decrease - FR). Google CEO Eric Schmidt stressed this (in Davos), Christine Lagarde (IMF) did so (Brussels Jan 28th), and McKinsey predicted that worldwide up to 2025, 110-140 million FT jobs will be replaced by intelligent machines.

5 A well-known case in The Netherlands is a (unemployed) worker who is unpaid for the same job that he had before being laid off following austerity measures.
youngsters leaving school without certificate (which requires special programs, with dedicated teachers), this activation policy does not create jobs. Advocates of this policy ignore the permanent disproportion between the number of unemployed seeking jobs, and the (small) number of vacancies. The latter are in part for workers with years of experience in a very specific task, or for highly qualified employees. Training on the floor of the company should remedy so-called “bottleneck vacancies”; but in their advertisements employers rarely offer training, and then complain about lack of candidates.

According to the EC, there are 2 million vacancies in Europe. Even if true, the figure shows the discrepancy. The 27 million unemployed in Europe can never find jobs in this way because the jobs simply are not available.

The inefficiency of activation to solve unemployment is clear from the unemployment figures: the latter have not decreased while activation was stepwise extended over the years and sanctions became more systematic.

Recently the activation policy in The Netherlands was evaluated by Rutger Bregman. The government spends over 6.5 billion euro a year on a series of measures, but their effectiveness is not tested nor visible, given the persistence of 700,000 unemployed.

(to be continued)

---

6 Vacancies often are fake, by several mechanisms: they are actually filled or closed, but stay in the statistics; they are for internal promotion of employees; they are a form of advertisement; one vacancy is listed on several sites.

7 The money spent is roughly equivalent to that given to universities: https://decorrespondent.nl/754/het-failliet-van-de-nederlandse-werklozenindustrie/41682135638-404dcddd