

## **Creating the lower-skilled jobs vital for EU economic revival**

LSE economics research influenced the European Commission to shift its employment policy towards creating jobs in the services sectors

### **What was the problem?**

A so-called 'great recession' followed the global financial crisis of 2007-08 – deemed to be the worst recession since World War II.

Policymakers at the governmental and inter-governmental levels were faced with an urgent need to address soaring levels of unemployment as part of their overall strategies for economic recovery.

The European Commission's employment strategy continued to follow the

the two leading strategies – subsidies and deregulation – being perfect and more attention and discussion at the national and EU levels being required.

## What happened?

### *European Union*

In March 2011, at an event attended by European Commission President José Manuel Barroso and all the Commissioners connected with economic policy, Pissarides argued the importance of labour-intensive services for job creation and urged a shift in emphasis towards those services. In response, the Commission's Growth Strategy 2012 and subsequent documents placed new emphasis on healthcare and unskilled services.

In September 2012 Pissarides gave a keynote speech at the 'Jobs for Europe' summit attended by Barroso, the President of the European Parliament and the President of the European Council. Several members of the Commission staff connected with employment, including Commissioner László Andor, credited Pissarides in their presentations as having influenced this significant shift in emphasis.

Following the Summit, the Commission gave focused attention towards examining the potential of healthcare and unskilled household services for creating jobs. Another summit was

- In July 2013, he took part in the European Leaders Summit on youth unemployment in Berlin, attended by the majority of European Union heads of government and employment ministers.
- In October 2013 he was the guest of honour at the 10th annual high-level “State of Europe” summit, where he spoke about the need to shift the emphasis in Europe from the current austerity agenda to job creation.

### *United Kingdom*

With healthcare spending expected to increase rapidly as the demand for healthcare services increased, the UK government has needed to formulate a policy for the future of the National Health Service and determine the extent to which it wished to see an expansion of employment under the public sector umbrella.

The LSE research was of particular relevance in the UK because of the high level of involvement of the state in healthcare service provision and employment via the National Health Service. In a major contribution to the debate Pissarides wrote a comment for the British Academy in which he highlighted the importance of job creation and the need to formulate a policy for the future of the National Health Service.

In October 2013, he was invited to a discussion between a small group of experts and the deputy Prime Minister Nick Clegg. In his remarks he emphasised the role of the NHS in job creation and the dilemma facing the government in terms of the need to ensure that services such as the National Health Service are funded while sticking to targets to reduce the public sector deficit. This topic attracted significant attention in the subsequent discussion.

**Sir Christopher Pissarides** is the Regius Professor of Economics and the Chairman of the Centre for Macroeconomics. He specialises in the economics of labour markets, macroeconomic policy, economic growth and structural change. His book *Equilibrium Unemployment Theory* (1994) is an influential reference in the economics of unemployment that has been translated into many languages. He was awarded the 2010 Nobel Prize in Economics jointly with Dale Mortensen of Northwestern University and Peter Diamond of MIT, for his work on the economics of labour markets, especially his work on markets with frictions and unemployment. Prior to that, in 2005, he became the first European economist to win the IZA Prize in Labor Economics, sharing it again with his collaborator Dale Mortensen. Among

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