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Social investment for inclusive growth: a Southern European perspective

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1. Old and new challenges

Inequality has emerged as a major economic issue: sharp increases in the share of income going to those at the very top of the income distribution, a rising share of income going to profits, stagnant real wages, and a fall in median family income have raised concern over the sustainability of our economies and societies. Although globalization and technological change are usually singled out as the main culprits, the belief that unfettered markets and trickle-down economics would have delivered rapid growth and benefits to all might have played a major role. Supply-side economic policies – tax cuts on higher income, structural reforms aimed at increasing competition, privatization and deregulation of the financial and labour markets – variously implemented on both sides of the Atlantic did not deliver growth but led to greater inequality.

These policies have been especially disastrous in Europe, where a deep and prolonged recession now follows two decades of slow growth. In the peripheral countries the fiscal crisis has been met with more fiscal austerity, more labour market deregulation, cuts in social spending and progressive dismantling of the welfare state. While inequalities have increased in many advanced economies, they have shown a dramatic rise in the financially distressed countries, which have experienced negative rates of growth, record high unemployment and widespread precariousness, with dreadful consequences for the more vulnerable segments of the labour market, especially youth, and sharply increased poverty.

Faced with the evidence of the disastrous effects of the implementation of fiscal austerity at a time when the private sector is de-leveraging, several institutions have switched to advocating higher government spending as a policy urgently needed to boost demand and employment and, indeed, to reduce inequality. The idea that sustaining demand may also play a role in determining the potential growth rate of the economy, via investment, human capital and durable consumption, (Fitoussi and Saraceno 2013) is also slowly re-gaining ground. At the same time, research findings indicating that inequality can undermine long-term growth – for instance by depressing progress in health and education – are providing support for policies targeting a more even income distribution, not only for the sake of equity, but also for long-term growth. For all these reasons, higher public investments are widely advocated as the right policy to take advantage of the current period of economic slack and exceptionally low interest rates in order to revive the economy and renew and build up the infrastructure.

In the peripheral countries of the eurozone, the heavy costs of 'structural reforms' have been borne mostly by "social investment", that is, by those very policies capable of fostering innovation while ensuring greater equality, with ominous consequences for the prospects of convergence between core and periphery. In this paper, I argue that innovation-led growth calls for a more cogent role for public policies (sections 2 and 3) and a broader concept of public investment (section 4) than is currently accepted. Taking the inequality-growth trade-off seriously implies that, in order to

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strengthen and upgrade their economies, countries need to extend their scope beyond short-run demand management and the buildup of physical infrastructure, and to bolster their social infrastructures. By acting on both demand and supply factors, a more balanced composition of public investment between physical and social infrastructure will not only enable faster exit from the crisis, but will also serve in pursuit of more inclusive long-term growth. The last section takes the case of the long-term care sector to show how the state can play a key role in combining innovation, long-term economic sustainability and social equity.

2. Core and periphery: divergent trends

The global markets that firms and countries find themselves operating in are increasingly dominated by the competition of differentiated products. Fragmentation in the international division of labour and the disruptive entry of the NICs have called for the reorganisation of a wide range of manufacturing and service operations. In this environment, the 'more complex' economies (Hidalgo et al. 2007) are better equipped to tackle change, being characterized by the presence of innovative businesses embedded within a close-knit network of structured interrelations and supported in their innovation process by material and immaterial infrastructures. These economies are more diversified and able to produce and export products that are more exclusive. In a paper written with Andrea Ginzburg (Ginzburg and Simonazzi 2015), we argue that these features are asymmetrically distributed between the countries of the centre and the periphery of Europe. It follows that the centre has been more successful in withstanding the challenges of change: with the support of industrial policies, it has gone through a process of 'creative destruction' and reconstruction, setting it on a firmer footing in the market in product-led competition. At the same time, the increasing integration of the central and eastern European economies within the supply chain of German industry has speeded up their process of diversification-cum-specialisation.

Given their much more fragile industrial structure, the peripheral countries of the eurozone would have needed to overhaul their policies of state intervention to place their enterprises in a position to compete on the basis of new products/technologies, and not only at the level of price (Best 2013). The implementation of orthodox macroeconomic policies and the slow growth of the euro-area left scant scope for the adoption of the industrial policies needed to upgrade their industrial structure and achieve a sufficient level of diversification and specialization: policies designed to tackle the lack of business enterprise, create new competences, favour the establishment of backward and forward linkages to thicken their industrial fabric and strengthen the formation of networks. Such, indeed, were the very policies that Germany, Japan and free-market economies like the UK and the US had never ceased to pursue (Mazzucato 2013).

The financial crisis has exposed the unsustainability of the old core-periphery model, and the faults of the policy measures advanced to address it. Regional disequilibria within the euro area, interpreted as indicating loss of price competitiveness, led to the implementation of structural labour-market reforms and across-the board austerity programmes to achieve internal devaluation and foster price competitiveness. However, in a regime where product-led competition and innovation prevails any such measures would be unnecessary and probably counter-productive (Best 2013, Ginzburg 2012). Indeed, in the 'knowledge-based economy', productive effectiveness no longer depends on labour costs, but rather on the knowledge and versatility of the labour force, on its ability to learn and adapt to continuous change. This calls for policies that invest in cognitive and non-cognitive skill development and help make efficient use of labour by fostering greater social inclusion (Morel et al. 2012). Insofar as they increase employment rates in the short run and the human capital of the population in the longer run, social investment policies respond to the logic of economic efficiency, prevent social inequalities and address social needs (Vandenbrouke et al. 2011). These are the very policies that have been most penalized in the current crisis in the European periphery: public expenditure on education has fallen in the periphery countries (figure 1) widening the gap with the core countries; similarly there is an increasing North-East – South-West

gap in public expenditure for R&D as percentage of total expenditure (figure 2). These data are clear indicators of potential further widening of the divide between the two areas: by curbing public spending and investment, fiscal consolidation stunts the Southern countries' long-term growth potential.

Several years of harsh austerity have also taken their toll in terms of inequality and poverty. The crisis has intensified the long-term pattern of increasing inequality in the OECD area (figure 3): between 2007 and 2011 “anchored” poverty increased by 2 percentage points, cancelling a significant part of the gains in living standards achieved by low-income households over the past 20 years. However, it increased by almost 15 percentage points in Greece, and between 3 and 9 points in Ireland, Spain, Iceland, and Hungary. Young people (aged 18 to 25) suffered the most severe income losses, replacing the elderly as the group experiencing greater risk of income poverty. Among the categories of households at greater risk of income poverty were the jobless households, singles and single parents, but also one-worker households, demonstrating that a dual-earner family is now a necessary condition to escape the risk of poverty. While in many countries taxes and social transfers have cushioned the rise in market inequality, anti-poverty programmes and transfers are not enough. The social consequences of decades of low (and, lately, negative) growth are such that guaranteeing greater access to public services constitutes a basic condition to prevent even greater inequality of opportunities in the long run. Protecting and strengthening the institutions that provide these goods is an essential function of the state.

3. Public investment

The arguments in favour of the need for and efficacy of stabilization policies are back in fashion. While the urgent need to boost public spending in order to sustain recovery is stressed on various sides, there are two main, not necessarily conflicting, positions. The first maintains that, given the financial constraints faced by the deficit countries, it is up to the surplus countries to act. It is doubtful, however, whether fiscal expansion in Europe’s core economies would suffice to boost *sustained* growth in the periphery, and for two reasons. First, an increase in German public investment would certainly stimulate that country’s domestic demand in the short run and also durably raise its output, if, as argued above, current and future growth are related. Its effects on the peripheral countries’ GDP would depend on a number of factors, among which the stance of monetary policy and the import content of the (direct and indirect) increase in German demand (Blanchard et al 2014). However, the regional distribution of the spillovers associated with such a programme can prove quite different, for they are in fact much smaller for the Southern European countries than for other European countries (Simonazzi et al 2013). In a recent study, Elekdag and Muir (2014) have estimated that a 1 percent increase in government investment would increase German real GDP by 1.05 percent, other (central) euro-area countries’ GDP by 0.30 and the peripheral countries’ GDP by 0.20; the impact on current accounts is similarly differentiated: -0.57, 0.12 and 0.05 percent respectively.

More importantly, however, we must take into consideration that these spillover effects will reflect the core country’s process of investment and restructuring as determined by its choices and priorities, not what is needed to sustain the autonomous development of the partner countries. What is good for Germany is not necessarily good for them. Public intervention in the peripheral countries should therefore envision and encourage the direction of change and innovation that better ensures attainment of autonomous development. Only in this way can the increase in the peripheral countries’ income prove sustainable in the long run. An independent strategic policy of industrial development, however, calls into question the institutional construction of the eurozone, the fiscal compact and the monetary policy rules.

That is why the second position argues in favour of a European industrial policy. Even the European Commission has finally acknowledged the need for a European policy of public investment, although still confined within the narrow limits of acting as catalyst of private capital for innovative projects. The much publicized Juncker plan – using a small amount of public money to lever private capital, thereby encouraging enterprise investment, growth and job creation – is manifestly inadequate for the aim of kick-starting growth in the European Union and helping the peripheral countries towards convergence. Leaving aside the trifling amount of money appropriated and the uncertainty about the effective ability to attract a significant portion of private investment, especially in job-rich small businesses[1], it is the lack of any mechanism to ensure that the EU countries with the highest levels of joblessness be targeted by the fund[2] that is worrying, since it is precisely in the peripheral countries that business enterprises capable of competing on innovation are scarcer. "In the absence of these two conditions – observed Raymond Torres, director of the ILO Research Department – the plan will make little or no difference to the EU employment outlook".

Behind this approach is a conception of industrial policy that still places faith in the capacity of the market to ensure convergence and reflects scepticism about the ability of governments to manage the economy. The Italian Banking Insurance and Finance Federation (2014, 4) favourably assessed prospects for the plan on the grounds that "It is market-oriented, and directed at promoting investment that is financed in the market, or through the market, minimizing therefore the risk of wasteful public 'white elephants'." However, industrial policy as deployed by successful economies implies a more diverse and complex role than simply financing projects. It calls for a government acting as long-term 'strategic organizer' rather than short-term 'market optimizer'. The intermediate institutions must mediate between finance, technological research, and firms. Liu and Ray (2012) use a similar 'Triple-alliance' concept to account for Taiwan's capacity to rise to global prominence in the LCD industry, despite its late entry in the market. They highlight the salience of and mutual dependence between three institutions: the state – which provides guidance and finances research –, local business, and the multinational corporations. The complex web of linkages connecting these institution is a dynamic one, as the state must reorient its policies in tune with the evolving phases of development (moving for instance from initiation to facilitation). The attention paid to linking the inter-related elements of the productive structure makes the difference between capability-driven industrial policy and government direct assistance to business, and, consequently, creation of innovativeness, on the one hand, and creation of dependency on the other (Best 2013).

To play this 'strategic role' the state must succeed in attracting the talent, expertise and intelligence needed to envision and address contemporary challenges. It must also prevail over the widespread opposition to such an approach, which also comes from within the public institutions. The latter requirement seems to be the most demanding, since decades of liberal dominance in the universities have schooled generations of students on the primacy of the market (with the only possible exception of 'market failures'). While the prevalence of a market-based economic philosophy may be a factor in accounting for the poor results of the European structural funds in addressing regional disparities in the past, there are signs of a change of attitude, more favourable to specific social investment policies, as we shall argue below.

4. Social investment: innovation, equality and growth

[1] In the European Commission's Press release of January 15, 2015, this plan is said to be expected to "especially support strategic investments, such as in broadband and energy networks, as well as smaller companies *with fewer than 3000 employees*" (emphasis added). http://europa.eu/rapid/press-release_IP-15-3222_en.htm.

[2] The same press report states: "An Investment Committee will be accountable to the Steering Board. It will vet specific projects and decide which will receive EFSI support, *without any geographic or sectorial quotas*." (emphasis added).

A strategic industrial policy is not simply about developing competitive advantage for growth; it is also about characterizing social needs that are consistent with sustainable prosperity. Simply investing in infrastructure is not the goal; it is necessary to align production and consumption infrastructures in ways that foster socially rational long-term growth (Best 2013). Positive complementarities between equity and efficiency in the knowledge-based economy suggest that 'investing in people' and targeting inequality more closely could respond to the urgent need of creating employment while favouring innovation and long-term sustainability (OECD 2014b; Bowles 2012).

Modern capitalism faces a number of great societal challenges: population ageing, youth unemployment, rising inequality and climate change. "These challenges have created a new agenda for innovation and growth policy that require policymakers to 'think big' about what kind of technologies and socio-economic policies can fulfil visionary ambitions to make growth more smart, inclusive and sustainable" (Mazzucato 2014). The latter aim involves shaping sector strategies to provide for material and social consumption infrastructures. The last few decades have seen our societies moving away from such an objective. Investment in social infrastructure may be the right sort of policy, and for a number of reasons.

The current developmental challenges call for policies that 'prepare' individuals, families, and societies to adapt to change – in career patterns, skills, working conditions – and to new social risks; that is, to act to prevent, rather than repair, the damage of market failures (Morel et al. 2012).

Investment in education is the most obvious and generally recognized of these social policies. Not only is education a pre-condition for a nation's growth, but early-childhood education programmes have a profound effect on social mobility, reducing the intergenerational transmission of parental status[3]. Reducing barriers to affordable, high quality early-childhood and higher education will produce the skilled workforce indispensable for success in the new economy. Good schools require a high-quality workforce: teachers appropriately trained and qualified, and adequately recognized and rewarded.

Higher employment is an indispensable prerequisite for the long-term sustainability of an inclusive system. Indeed, an increase in the supply of skilled human capital needs to be matched by an increase in the supply of quality jobs. That is, education and training policies cannot be defined in isolation from the rest of the economy, which calls into question the functioning of the labour market and the organization of work and society. However, as unemployment continues to be increasingly pervasive among the low-skilled, labour policies must move beyond activation, towards protection and promotion. Capacitating public services can yield better long-term results than the neo-liberal deregulation of labour markets, which work by lowering labour costs and providing incentives for the unemployed to take on poorly paid jobs. Accommodating critical life-course transitions reduces the probability of being trapped into inactivity and welfare dependency.

Higher employment for women is the other social target that responds to the needs of equality and sustainability. This calls for policies that activate the demand and supply of female labour. Policies that help parents combine work and family life will increase the female labour supply and, as argued above, will render families less exposed to the risk of poverty.

The expansion of social services has a greater effect on employment than any other form of public expenditure, and its impact is much more direct and immediate. (AK 2013) Besides sustaining

[3] Higher educational levels are required to respond to the increasing demand for skilled labour and can generate a 'double dividend': they contribute to the increase in productivity and growth and, insofar as higher education is associated with higher incomes, they lead to higher revenue and taxes (AK 2013). Childhood development is especially critical for an individual's potential development: "the richness of the environment in which children develop at this age has lifelong effects on income, health, and cognitive development. … the quality of a child's kindergarten teacher and educational environment can dramatically affect people's income and opportunities" (Summers et al. 2015, p. 77).

employment and income in the very short-run, investments in social infrastructures have the potential to create stable and, indeed, good jobs with substantial returns in the medium or long-term perspective. In this respect, apart from the welfare gain that they offer, they can be partly or even highly self-financing (EC 2013).

5. The state as strategic organizer: the case of elderly care

The age structure of the EU population is expected to change dramatically in the coming decades due to the dynamics of fertility, life expectancy and migration rates. "As a result of these different trends among age-groups, the demographic old age dependency ratio (people aged 65 or above relative to those aged 15-64) is projected to increase from 27.8% to 50.1% in the EU as a whole up to 2050. This implies that the EU would move from having about four working-age people for every person aged over 65 years to two working-age people" (EC 2014). Rapid population ageing is also creating a dramatic increase in the demand for long-term care (LTC) for dependent elderly people, exerting enormous pressure upon public and private finances. Demographic projections show a doubling of the share of the very old population (over 75 years) by 2050 in all European countries: projections of future spending on LTC are raising concern over the 'ageing bomb'. A growing number of European countries have addressed the question by focusing on those more in need of care while calling for greater involvement of families. However, various trade-offs – between affordability of care and the quantity and quality of care work, between the provision of informal care and female labour supply – raise questions about the long-term sustainability of the various LTC systems and call for a strategic approach towards this new social risk.

The "Mediterranean care regime", based on 'migrant in the family' organization of care (Bettio et al. 2006), provides an example of a market solution that delivers a sub-optimal outcome from a societal point of view. The LTC systems of the Mediterranean countries have traditionally been characterized by low levels of public provision and funding and a heavy reliance on family and kin for the provision of care. Migrant carers have closed the widening gap between the rapidly increasing needs of elderly dependent people and the formal provision of care. They have continued to represent a key factor in the supply of care labour even as these countries have started to implement policy measures to address LTC needs in a more systematic manner. Compared to the Nordic countries' care regimes, the Mediterranean model has resulted in a low share of public provision of care services, a high share of cash benefits, a higher reliance on irregular care work and unpaid family care, and a lower female employment rate. The fiscal crisis has caused a further retrenchment in public involvement, blocking or even undoing recent timid reforms (as in the case of Spain), and shifting an even greater care load onto families (Simonazzi and Picchi 2014). Since the younger generations' lower wages and increasingly precarious jobs have curtailed the families' incomes, the parents have had to step in to provide financial assistance and child care[4]. However, due to the very uneven distribution of wealth among old people (in Italy, in 2012 one in five elderly people lived in a household at risk of poverty), when dependency occurs, the cost of caring for their fragile parents increases the children's risk of poverty (Luppi 2014).

Unlike education, care, and elderly care in particular, is not the most obvious sector that one would single out as an engine for innovation and growth. And yet, investing in care could represent a good growth opportunity for the southern European countries, and on three grounds: it creates job opportunities for the relatively low-skilled while improving the quality of care work; it favours an increase in female labour supply by promoting a better work-life balance; and it makes their care regime more equitable and sustainable. Since women still perform the largest part of unpaid care

[4] It has been estimated that every year in Italy 7 million elderly people provide financial support to their children (1.5 on a regular basis), for an estimated amount of 5.4 billion euros (Luppi 2014).

work, an increase in female employment cannot be achieved without the implementation of policies to enable reconciliation of family work and paid labour. Social services are therefore crucial to turn this unpaid work into paid work and exploit the qualifications of an increasing number of women by giving them the opportunity to participate in the labour market. In order to achieve these goals, care affordability is a crucial issue. The Continental and Northern countries have implemented various policies (based on tax deductions and reductions, and subsidized vouchers) (table 1), which have been effective in creating new formal jobs and reducing informal work Farvaque 2013), although the quality of care work still remains an issue.

Investment in care compares favourably with other investment proposal in terms of job creation. Antonopoulos et al. (2010) estimated the job creation effects of a policy of social care investment – childhood care and home-based health for elderly people – in the US. They find that investing in the care sector creates more jobs in total (1.2 million new jobs created directly and indirectly by 50 billion dollars of public spending), at double the rate of investment in construction (556 thousands). Moreover, these jobs are more effective in reaching disadvantaged workers, from poor households and with lower levels of educational attainment[5]. Thus, they conclude that investment in the social care sector is both effective and equitable—more jobs per dollar of spending and more for the low-skilled and poor (figure 4).

A study conducted in Austria on the direct and indirect effects of improved child-care provision arrived at similar conclusions in terms of job creation[6], although the different target of beneficiaries resulted in a higher share of new jobs going to qualified workers. Unlike the previous research, this analysis takes into account the direct and indirect effects of this investment on employment and incomes; that is, they estimate the additional revenues (taxes and social contributions) and the savings in unemployment benefits and other social spending caused by the increase in employment. When these are included, the investment may imply a much lower burden on the public budget in the medium-to-long run (AK 2013). To be added to this are the supply-side effects of better child education on long-term growth (as argued in section 4).

Estimates of the effects of the introduction of a voucher system for LTC in Italy (along the lines of the French system)[7] (Italia Lavoro 2014) put at 482,000 the number of new families accessing the care services, 326,000 the number of newly regularised carers, and 315,000 the additional jobs created after a five-year period. Here too, the total cost would be substantially reduced by the direct and indirect effects deriving from carer regularization, additional employment directly and indirectly created in the sector and in the economy, and lower costs in terms of unemployment benefits. Revenue would also come with indirect taxation on the increased family consumption and income tax on profits. Because of these effects, the total 5-year cost, amounting to 3.6 billion euro, would be reduced by 1.9 billion to 700 million euros.

Important as they are in creating employment while trying to provide a sustainable response to demographic ageing, these policies do not challenge the status quo. They miss the point that, through innovations in technology, innovative social care policies can become an engine for economic growth. The 80+ age group is the fastest growing in the advanced countries and represents an expanding market. Information and Communication Technologies (ICTs) can help to personalize health and social care, thereby improving the quality of life for elderly people and their carers. They can allow for a better balance between care and work, thereby increasing the female

[5] According to their estimates, "more than 42 percent of the jobs created by social care investment are likely to be taken by people with less than a high school diploma, whereas only 14 percent of jobs in infrastructure construction go to these workers; workers from poorer households receive 45 percent of the jobs in the social care sector as compared to 35 percent in the case of infrastructure construction." Antonopoulos et al. (2010).

[6] They estimate that, depending on the economic conditions, 200 million euros for 4 years could create overall from 30,000 to almost 45,000 jobs.

[7] A bill presented in 2014 is still stuck in parliament.

labour supply, and reduce costs (for instance, by avoiding and/or reducing hospital stays). They can create new business opportunities for the ICT industry, higher employment and better working conditions for professional carers: the global telecare and telehealth market is expected to grow from 7.6 to 17.6 billion Euros as early as 2017. In conclusion, there is considerable scope for social, business and technological innovation. This calls for a concerted programme focused on changing attitudes, pooling knowledge and resources, and integrating formal and informal solutions that will enable individuals with high levels of physical and/or cognitive requirements to live in their own homes. There is a role for the state to devise strategies that, by combining demand and supply, and physical and social infrastructures, shape the demand for care in an innovative, inclusive way, creating and organizing the market (Spero 2015).

The EU has already launched a number of measures aimed at creating the market by stimulating innovation in social and health policies, raising awareness in municipalities, building up collaboration across different fields, linking together research institutions, firms and local authorities and helping European industry (and SMEs in particular) through the whole value chain, from research to education and user training. In sum, by orienting demand and organizing supply the EU endeavours to sustain the process of innovation in the sector[8]. Some countries have been quicker in seizing the opportunities offered by demographic ageing. 'Innovate UK', the new name of the UK's Technology Strategy Board, is investing £4 million to kick-start a 'Long term care revolution' "which aims to inspire businesses – large, medium, small, micro, and entrepreneurs – to join forces, in a united effort to imagine new products and services with potential of disrupting the institutional model of long term care" (Spero 2015). For the Southern European countries, this could represent the opportunity to shape new, sustainable care systems, with the government (and the local authorities) taking up the role of the strategic organizer of the various actors involved.

4. Concluding remarks

Public investment is back in fashion as a way to sustain demand and steer the European economies out of the recession. It has been argued that simply financing investment in physical infrastructure is not enough. Public investment must be part of a strategic policy that shapes the countries' productive structures in ways that contribute to business development, industrial innovation and inclusive growth. The composition of public spending should aim at fostering the economy's growth potential by ensuring greater inclusion. Social investment is an essential ingredient of long-term growth.

Placing the emphasis on the productive role of social policy means that these investments have high social returns and can be self-financing in the long-run from society's point of view. Their curtailment in the crisis will have negative consequences on growth and inequality between and within countries. Awareness of social policy as investment that pays off has not yet cut through the debate on austerity measures: the request to exclude public investment from the fiscal compact must be extended to social investments.

New financing devices must be investigated – ESF, EIB, public-private partnership, involvement of pension funds – to complement the public funds, but, as the case of LTC demonstrates, social investment can also open a window of opportunity for local industry, thus providing an engine for innovation and growth.

[8] Peter Wintlev-Jensen, deputy Head of Unit in the European Commission DG Connect, (quoted in Spero 2015).

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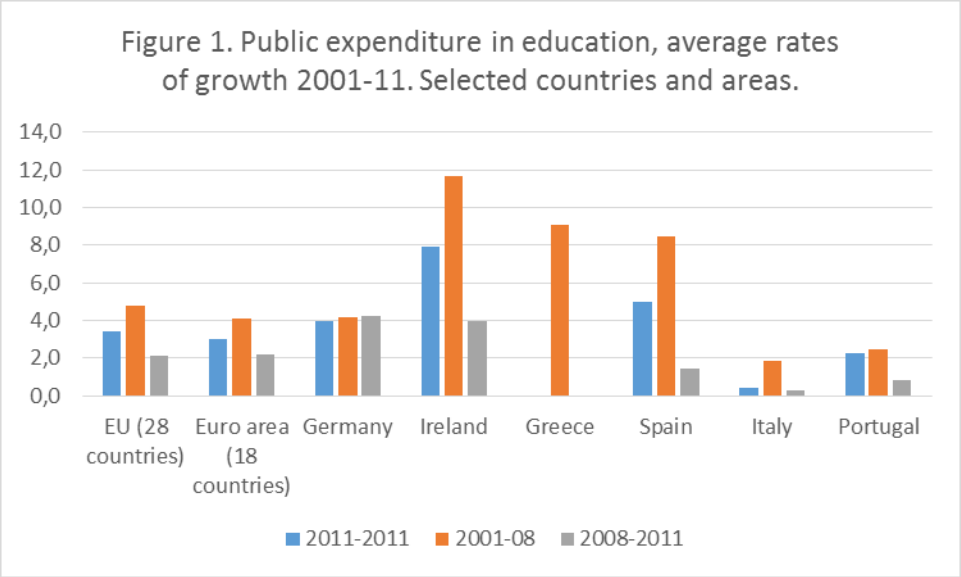
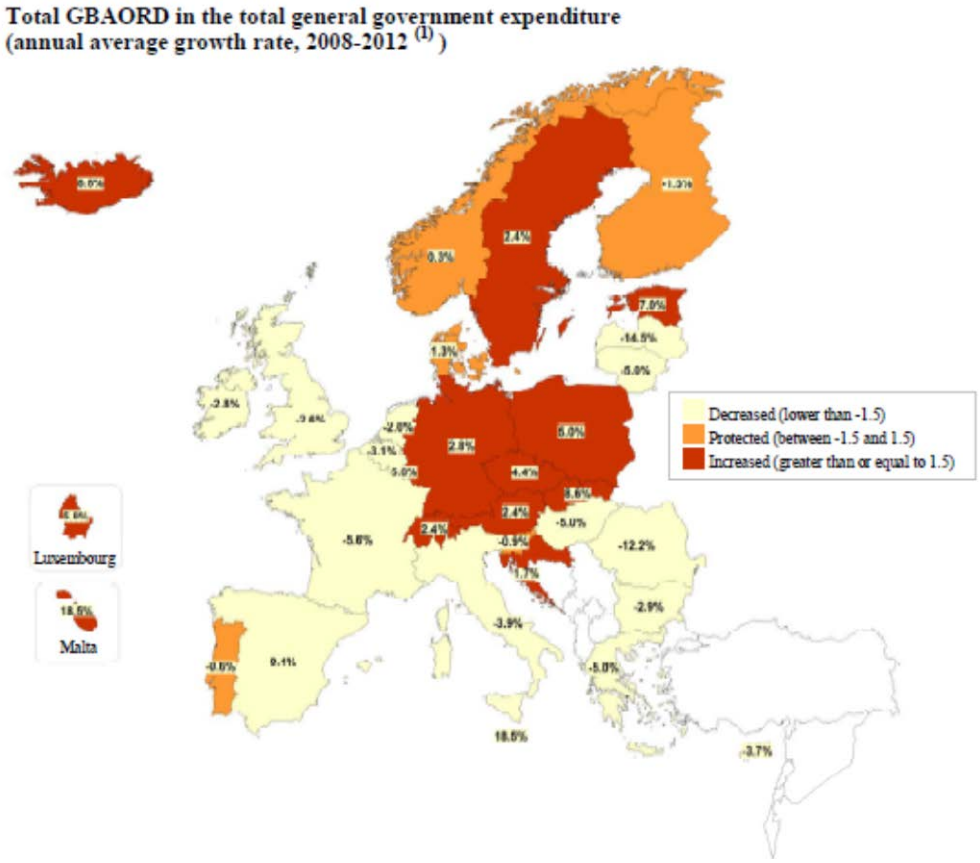


Source: Own calculation on Eurostat data,
http://ec.europa.eu/eurostat/tgm/download.do?tab=table&plugin=1&language=en&pcode=tps00158

Figure 2



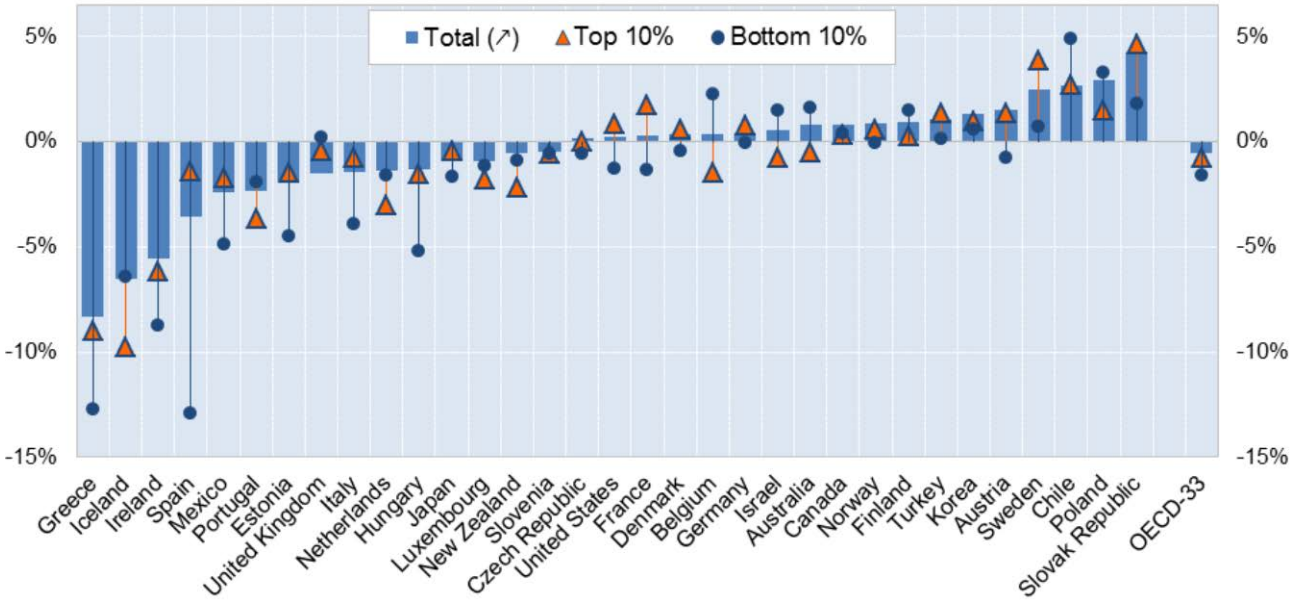
Source: DG Research and Innovation – Unit for the Analysis and Monitoring of National Research Policies
Data: Eurostat, DG ECFIN
Note: (1) HR: 2009-2012, CH: 2008-2010.

Changes in General Budget appropriation or outlays for research and development (GBAORD) as a share of total government expenditure, 2008-2012.

Source: EC (2014b)

Figure 3

Annual percentage changes in household disposable income between 2007 and 2011, by income group



Source: OECD 2014a

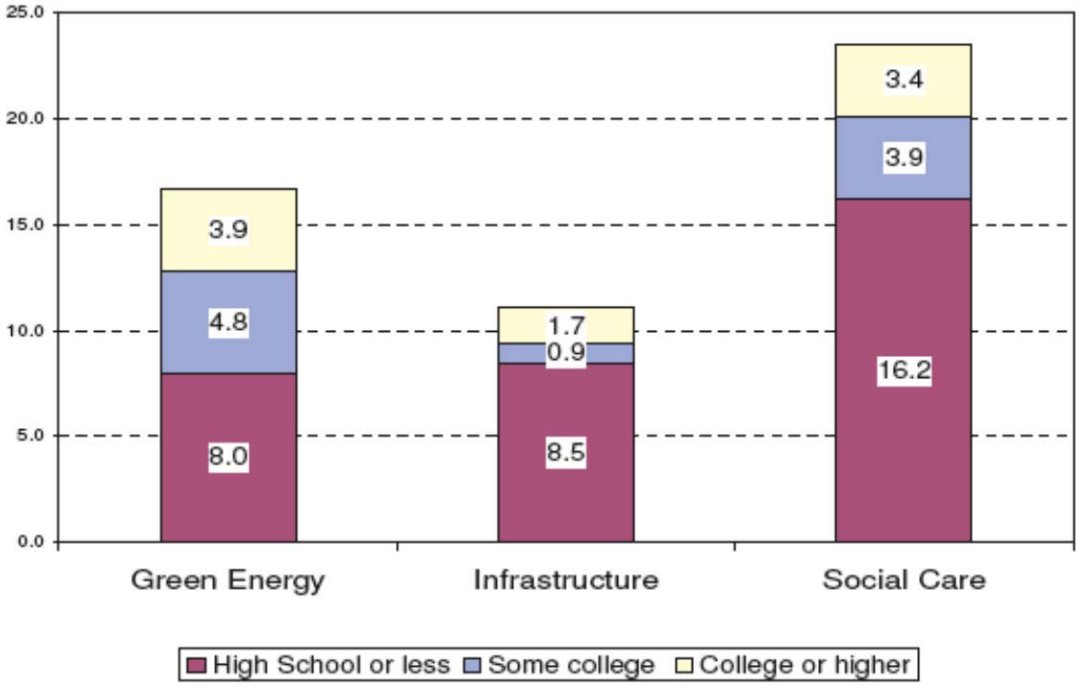
Table 1

Summary of policy impact

	BE	DE	DK	FI	FR	SE
Job creation	*2011*: 160,000 jobs created under the Titres services scheme (launched in 2004) (56,000 full-time jobs)	2011: 240,000 "Mini-jobbers" in private households	2000: 3,700 full-time workers in the Home service scheme (created in 1994 and later suppressed)	*2001-2004*: in total, 10,000 full-time jobs created *Net effect estimated*: 4,600 full-time jobs (1,000 in housework, 3,600 in renovation)	*2005-2010* 330,000 jobs created (50,000 full-time jobs)	2007-2009: 18,000 full-time jobs created (4,000 in housework, 14,000 in renovation)
Reduction of undeclared work or effects of outsourcing from households to external providers	Massive. Almost all the domestic services were not declared before this voucher scheme	Important, around 2/3 of mini-jobs formerly in the black sector according to some estimates	It can be estimated that around 2,000 full-time jobs provide from an outsourcing process. Increase in undeclared labour after several restriction on the scope of the scheme	Reduction of undeclared work estimated: from 60% to 25% in 2004 (both in renovation and in housework sectors)	Reduction of undeclared work estimated: from 50% in 1996 to 30% in 2005 2/3 of hours legally paid would provide from a whitening process	Jobs created (see above) were almost all in the undeclared sector or not existing. 2005: At least 10% reduction of undeclared hours in cleaning services
Elements for a cost-benefit analysis	Total gross cost (1.6 billion € in 2011) reduced by 45% when integrating first-order earn-back effects		Total gross cost: 64 million € (2000), then 11 million € (2006).	Jobs created thanks to the measures would pay for themselves in full and even bring positive returns to the State	Total gross cost: 6.6 billion € in 2009. One estimate concludes in a positive earn-back effect of 2.6 billion €	Total cost of tax reductions: 1 billion € (2010) Each Euro spent in ROT reduction (renovation) would return 1.5-2 € back to the State; each € spent for RUT (housework) would be reimbursed on a 1:1 par.
Cost of each job created	Total gross cost per worker (2011): 11,000€. Total net cost per worker*: 3,500€		Total gross cost per worker (2000): 13,000€. Per full-time worker: 17,000€ (2000) and 15,000€ (2006). Total net cost per full-time work: 4,400€ (2000)	Total gross cost of each job (2006): 11,000€ Total gross cost of each new job created (in net terms, ie jobs that would not exist without the measure)*: 31,000€ However, positive returns for the State, by around 3,800€ by job.	Total gross cost per worker in the sector (2009): 11,800€ Total gross cost of each new full-time job created: - Estimate from Senate Report: 51,000€ (2010) - Estimate from INSEE: between 9,000 and 28,000€ (2007)	

Source: Farvaque 2013

Figure 4. Jobs by education per million dollars of spending



Source: Antonopoulos et al. 2011