ZEI Insights

Juncker's proposal for "a new boost for jobs, growth and investment" – between high expectations and real action

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Juncker's announcement to present "an ambitious Jobs, Growth and Investment Package" might mark a watershed in European crisis politics. So far, the EU approach in dealing with the economic distortions since 2007/08 has been dominated by – more or less – pragmatic ad hoc solutions in order to prevent the financial markets from collapsing on the one hand and medium-term austerity programmes on the other. These elements now seem to be complemented by measures which aim to generate growth, particularly in those areas of the EU where macroeconomic conditions are worst.

The new focus is both important and necessary. Simple policies of retrenchment will not suffice to solve the problems in many EU countries and to gain societal acceptance of European crisis management. Especially in southern member states, the EU is first and foremost associated with austerity mandates; forcing democratically elected governments to make politics against the will of the people. Therefore, the Commission's new emphasis on jobs (not least for the younger generation) and growth acknowledges the fact that there is no shortcut to economic recovery given the different causes of European troubles.

Beyond this rather symbolic signal, however, the Juncker proposal is unlikely to bring major changes to jobs, growth and investment policies in Europe. The Commission simply lacks both competences and resources to effectively tackle unemployment and stagnation. As was the case with the so-called "Lisbon Strategy", an EU action plan, even when agreed upon by the heads of state and government, remains cheap talk as long as neither a binding legal basis nor the political will exist to implement the corresponding measures. When considering economic policies of most member states during recent years, it is quite obvious that enthusiasm for reforms was not exactly overwhelming. But it is at the national level where pivotal legislative decisions concerning labour markets and investment conditions are taken. Thus, the Commission's scope of action is limited.

A second reason why it is appropriate to remain sceptical about the real effects of the Juncker plan is its funding. The Commission President calculates with "up to € 300 billion in additional public and private investment in the real economy over the next three years". While this amount could definitely help to boost growth in Europe, the Commission can only provide € 21 billion directly. A fifteen-fold leverage is to be achieved through hedging the risk of private investors, for example in the form of credit protection and financing. This objective is not only unrealistic but also problematic, since public funds would serve as credit default swaps.

Therefore, Juncker should focus on topics where the Commission has the responsibility and authority to support economic development: internal market regulation in industrial policy.

A concrete area for Juncker's idea of boosting jobs, growth and investment is the rail industry. As of today, the European rail industry employs 800,000 people and generates a turnover of almost € 75 billion p.a., serving not only the large domestic market but also exporting high-technology products built in Europe across the world. To ensure that rail remains a flagship of European industry and that Europe-based companies remain industrial leaders, cooperation between the new European Commission and the European rail industry will be an important factor in enhancing the mobility of citizens as well as logistics. Maintaining and improving the competitiveness of the European railway industry must be a priority to secure jobs and to have a safe, efficient, environmentally friendly, innovative and sustainable mode of transport.

However, there are still several obstacles to be overcome in the coming years in order to realise the potential a single market would have. A higher level of harmonization is needed to make the sector more efficient and attractive when competing with other modes of transport:

1.The rail industry in Europe has suffered and continues to be held back by time consuming and costly authorization processes, mainly due to bureaucratic national procedures. It can take up to two years to obtain authorisation for a train, and this negatively impacts upon the competitiveness of the sector. From an industrial point of view, it is a good sign that there is now broad consensus amongst rail stakeholders and EU institutions calling for a quick adoption of the Technical Pillar of the 4th Railway Package.[1] This should make authorization procedures easier, faster and more harmonized across EU member states. In the future, the authorization process will be owned by the European Rail Agency (ERA) and not by national authorities (such as the Eisenbahnbundesamt in Germany).

2. Interoperability is another key concept for the Single European Railway Area (SERA). Only in an interoperable EU can rail unleash its full potential over long distances, contributing to the reduction of pollution and ease the pressure on the overburdened European road system. However, there is still a long way to go to achieve interoperability, with still more than 20 different train control systems across the EU. Therefore, the European Rail Traffic Management System (ERTMS), which has been developed jointly by the European Commission and the industry, needs to be implemented with more rigour in order to become the EU-wide signalling system. Also here, the ERA will have an important role to play to facilitate and deploy ERTMS across the EU.

3. Investments in research and development are vital in order to maintain the leading position of the European rail industry. The tool to make this possible is called SHIFT2RAIL. The European rail sector as a whole is joining forces together with research centres, academia and the contribution of the European Commission to increase the innovation power of the industry. Between 2014 and 2020, this public private partnership will invest € 920 million in railway research and innovation, of which € 450 million comes from the EU's Horizon 2020 budget framework. This will help to make rail research and innovation funding across the EU more efficient, coherent and less risky. The SHIFT2RAIL Joint Undertaking has become fully operational, with all measures in place to start concrete research activities in the second quarter of 2015.

In summary, the Technical Pillar of the 4th Railway Package is laying the foundation for increased harmonization across the European rail market, leading to innovation, growth and an increasing competitiveness and attractiveness of the rail industry. As a consequence, highly skilled manufacturing and engineering jobs in Europe will be created and investments to develop new solutions will be available, leading to growth and continued transformation of mobility in Europe.

Only though such measures, in concrete areas where the Commission has responsibility and authority, can Juncker's ambitions of boosting jobs, growth and investment be realised. The European rail industry provides an opportunity, it must now be ensured that the Italian and Latvian Presidency and the Council adopt the measures discussed above together with the European Council, Parliament, and, of course, Juncker's Commission.

1. For further information see: "THE FOURTH RAILWAY PACKAGE – COMPLETING THE SINGLE EUROPEAN RAILWAY AREA TO FOSTER EUROPEAN COMPETITIVENESS AND GROWTH"
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0025:FIN:EN:PDF

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