

European Commission appears half-hearted on public investment

(18 November 2016) The European Commission's economic strategy, set out in the latest Annual Growth Survey (AGS), does not go far enough in calling for a boost to public investment across Europe. For the public services federation, EPSU, the AGS should be making a much stronger case for immediate and significant increases in public investment, particularly in areas such as health and social services. These are sectors where there is a demand for more and better services and where increases in employment are also needed.

While the AGS makes the argument to "frontload public investments" during the current period of low interest rates, this does not reflect the scale and urgency of the problem. Two years ago the 2015 AGS admitted that the concept of "growth-friendly fiscal consolidation had not worked and that: "On the expenditure side of national budgets, public investment was the main item targeted for cuts, in spite of its growth enhancing potential among budgetary expenditures."

Since then things have got worse. The latest figures from Eurostat show that the level of public investment as a percentage of GDP failed to grow in 2015 in the EU and Eurozone and is at its lowest level for over 10 years. In half the countries in the EU public investment as a percentage of GDP was either static or fell in 2015 and in 15 Member States it was below pre-crisis levels.

While the AGS acknowledges the importance of investment in "social infrastructure", including long-term care services and flexible childcare facilities, EPSU believes that this has to be the priority for public investment rather than raised in the context of the investment plan for Europe (the European Fund for Strategic Investments – EFSI). EFSI projects are much more likely to involve public-private partnerships (PPPs) and EPSU has argued for many years that PPPs not only fail to guarantee value for money and quality of service but often involve negative outcomes for public service workers.

EPSU general secretary, Jan Willem Goudriaan, said: "We note the increased concern for equality, fairness and inclusiveness in the AGS, but remain concerned that the Commission has still not made a complete break with austerity. Only two

countries this year had a clear recommendation to increase public investment, when it is clear that a strong message should be sent to most Member States.”

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