

Press release

Good educational system and legal security more important than wage level

Survey: Financial industry demands sound structural conditions in southern European countries / Wage level less important / “Contradiction to public debate”

FRANKFURT, 11 April 2014. Which are the relevant factors to be considered when investing in one of the southern European countries? In a survey carried out by the Center for Financial Studies around 90 percent of decision makers from German financial institutions and financial service providers regard legal security, a high-quality educational system/human resources as well as a sound infrastructure as important or very important. About four fifth of the respondents report that sound public finances, low regulation or bureaucracy as well as an attractive tax system are important or very important. 65 percent see flexible labor market structures as important or very important. On the contrary, a low wage level is considered less important or not important by a majority of 64 percent.

How important are the following factors in case that a company in your industry, based in Germany, would consider an investment in any of the southern European countries that are in crisis?

	Percentage of people who favored the following answers			
	Very important	Important	Less important	Not important
Soundness of public finances	28,8 %	53,5 %	15,6 %	2,1 %
Attractive tax system	20,7 %	57,5 %	19,6 %	2,2 %
Low wage level	9,4 %	27,1 %	56,2 %	7,3 %
Good educational system / human capital	62,3 %	33,5 %	2,6 %	1,6 %
Legal security	89,8 %	9,7 %	-	0,5 %
Good infrastructure	29,2 %	59,8 %	8,3 %	2,7 %
Flexible labor market structure (e.g. low power of labor unions, little dismissal protection, etc.)	14,2 %	50,9 %	30,1 %	4,8 %
Low regulation / bureaucracy	28,6 %	52,7 %	16 %	2,7 %

Source: Center for Financial Studies, April 2014

“Our results contradict the public debate that centers around real exchange rates,” Jan Pieter Krahen, Director of the Center for Financial Studies and academic head of the survey, said. “Good conditions in terms of legal security and education are considered as significantly more important for investments in crisis countries than the wage level. This is what the reform process in southern Europe should focus on: structural reforms rather than further wage cuts.”

The results are based on a quarterly survey, carried out by the Center for Financial Studies, among 400 decision makers in the German financial industry (return about 50% on average).

The Center for Financial Studies (CFS) conducts independent and internationally-oriented research in important areas of Financial and Monetary Economics, ranging from Financial Stability and Banking Regulation, Household Finance, Law and Economics of Financial Organizations and Trading and Pricing in Financial Markets to Monetary Policy and Financial Markets. CFS is also a contributor to policy debates and policy analyses, building upon relevant findings in its research areas. In providing a platform for research and policy advice, CFS relies on its international network among academics, the financial industry and central banks in Europe and beyond.

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