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**REPORT ON THE LISBON NATIONAL REFORM PROGRAMMES 2005**

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# REPORT ON THE LISBON NATIONAL REFORM PROGRAMMES 2005

## 1. Introduction

In recent years, EU Member States have initiated a process of structural reform which has improved Europe's performance with regard to the Lisbon targets. Europe has shown strong performance in some areas in recent years, e.g. in employment growth. However, the 2005 Mid-term Review of the Lisbon Strategy showed that Europe is still facing major challenges such as the creation of new jobs and improvement of welfare for its citizens. An ageing population and intensifying competition from abroad through globalisation is increasing the need for reform. Progress on economic reform and the conduct of stability and growth oriented policies are two mutually reinforcing and complementary elements in enabling the EU to meet the challenges it faces.

In response to the challenges, the 2005 Spring European Council agreed that the Commission, the Council and the Member States should re-launch the Lisbon strategy with a renewed focus on sustainable growth and jobs. The European Council also considered that the governance of the strategy should be improved. In particular a new three year cycle was to start this year based on Integrated Guidelines to be issued by the Council in June. These Integrated Guidelines are the basis for so-called "Lisbon National Reform Programmes". Member States agreed to prepare such National Reform Programmes (NRPs), setting out the reforms they plan in order to increase growth and employment from 2005 to 2008, and to submit them to the Commission by 15 October 2005. As part of a new strategic partnership, the 2005 June European Council asked the Commission to draw up a Community Lisbon Programme (CLP) setting out complementary actions required at European level to deliver these core goals.

The Spring Council also called on Member States to consult key stakeholders in preparing their NRPs; a recommendation taken up by the vast majority of Member States. Consultation included national parliaments, regional and local authorities and social partners in accordance with existing national practices. This is a vital first step in fostering increased ownership and awareness of reform priorities. The challenge now is to translate this into a shared commitment to implement the necessary reforms. In this context, it should be noted that EL and ES have established independent monitoring agencies.

The 2005 Spring European Council confirmed that the existing multilateral surveillance arrangements for the Broad Economic Policy Guidelines (BEPGs) would continue to apply. Therefore, the Economic Policy Committee (EPC) has undertaken a "light touch analysis of the new Lisbon National Reform Programmes"<sup>1</sup>. This report summarises the findings of that peer review, and provides an overview of the key policy challenges identified by Member States<sup>2</sup>. It also includes a horizontal assessment of the extent to which the NRPs collectively address the policy goals of the BEPGs of raising growth and employment in Europe. This report does not include country-specific recommendations, unlike last year's EPC report on the Cardiff reports<sup>3</sup>. The Commission is invited to take this report into consideration when preparing its first Annual Progress Report in January 2006 which will provide a fuller assessment of Member States' performance against the Integrated Guidelines. The Employment

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<sup>1</sup> The ECOFIN Council Work Programme of the UK Presidency, ECOFIN 229 (10771/05).

<sup>2</sup> For the first time, representatives of both the High Level Group of the Competitiveness Council and the Employment Committee participated in the country reviews. Representatives of the OECD also took part to strengthen the surveillance process.

<sup>3</sup> ECOFIN did not include country-specific BEPGs in its 2005 update of the BEPGs as this was the first year of a new three year cycle of reform, but they noted that the 2002-05 country specific BEPGs remained valid in the background.

Council's Employment Committee has held peer reviews on the labour market guidelines (16-23) of the Integrated Guidelines.<sup>4</sup>

All Member States participated in the EPC's examination of the NRPs. Twenty-three Member States submitted an NRP in autumn 2005. In view of their electoral timetables, Germany and Poland submitted provisional documents<sup>5</sup>. In some cases, upcoming national elections prevented Member States from drawing up NRPs covering the whole 2005-2008 period in detail. Member States have invested heavily in increasing the commitment of stakeholders, notably national parliaments. The collective nature of the exercise added value in encouraging Member States to prepare plans and share best practices. The acceding countries (Bulgaria, Romania) will be progressively integrated into the Lisbon process and were invited to submit their NRPs in the autumn before their accession.

## 2. The Challenges for Europe

Increased globalisation and intensified competition from abroad mean Europe must address new policy challenges and opportunities. Europe is not facing these challenges from a favourable position. The parallel ECOFIN Report on Globalisation has identified the need for Europe's economies to adapt more rapidly to technological and market changes, shifting resources more swiftly to new areas of comparative advantage, while preserving social objectives. Europe can reap benefits from globalisation by showing an adequate response<sup>6</sup>.

Member States identified in their NRPs those areas that present the most pressing challenges for their economies, reflecting their different starting positions and political preferences. Table 1 provides an overview of these key challenges (Annex A gives the full picture). In the overwhelming majority of cases, five key challenges emerge: **increasing employment and labour market performance, the sustainability and quality of public finances, improving R&D and innovation, strengthening the business environment and increasing skills.**

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<sup>4</sup> The so-called Cambridge Review Report was prepared by the Employment Committee. It should be noted that there are some cross-references between the BEPGs and the updated Employment Guidelines.

<sup>5</sup> The outgoing Polish government submitted a provisional NRP, which will be revised by the new Polish government. Germany presented to the EPC the main policy priorities of the new German government. It was announced that Germany would submit a NRP shortly.

<sup>6</sup> See the Commission contribution "European Values in a Globalised World" to the informal European Council meeting at Hampton Court (October 2005).

**Table 1 Overview of key challenges as identified by Member States**

Key challenges	Identified by	# MS
Utilisation of labour	AT, BE, CZ, DK, EE, EL, ES, FI, FR, HU, IE, LT, LU, LV, MT, NL, PL, PT, SE, SI, SK, UK	22
R&D and innovation	AT, BE, CY, CZ, DK, EE, EL, ES, FI, FR, HU, IE, IT, LT, LU, LV, NL, PL, PT, SI, SK, UK	22
Business environment (incl. better regulation and Internal Market)	AT, CY, CZ, DK, EE, EL, ES, FI, FR, HU, IE, IT, LT, LU, LV, MT, PL, PT, SI, SK	20
Education and lifelong learning	AT, BE, CY, CZ, DK, EE, EL, ES, HU, IE, IT, LV, LT, LU, MT, PL, PT, SI, SK, UK	20
Sustainability and quality of public finances	AT, BE, CY, CZ, EE, EL, ES, FI, FR, HU, IE, LT, LU, LV, MT, PL, PT, SI, UK	19
Environmental sustainability	AT, BE, CY, CZ, DK, EE, ES, FI, IE, IT, LU, MT, PT, SI, UK	15
Competition	CY, DK, EL, ES, FI, HU, IT, LV, PT, SE	10
Infrastructure	AT, CY, CZ, ES, FI, IE, IT, PL	8
Social cohesion	BE, CY, FR, IE, PT	5
Public sector improvements	DK, FI, SI	3

The NRPs confirm the overall conclusions from earlier analyses<sup>7</sup>. **Member States have formulated policies in the NRPs to enhance competition, but it is striking that only a small number of Member States identified this as a key challenge.** The EPC's last "Cardiff Report" identified competition as "an area where further progress [was] required" for a dozen Member States. A framework for competition drives productivity and innovation, resulting in downward pressure on prices and increased diversity and quality of products available to consumers.

The Community Lisbon Programme (CLP), which seeks to add value where purely national action is insufficient, gives top priority to the support of knowledge and innovation, the reform of state aid policy, the improvement and simplification of the regulatory framework in which business operates, the completion of the internal market for services, the conclusion of an ambitious agreement in the Doha round, the removal of obstacles to physical, labour and academic mobility, the development of a common approach to economic migration and the support of efforts to deal with the social consequences of economic restructuring.

### 3 The Response of Member States to the Challenges

#### 3.1 Introduction

Member States set out their responses to these challenges in the NRPs. In most cases, these include not only new measures but also the implementation of already announced measures. This chapter provides an overview of these responses within the framework of the BEPGs. It considers the sustainability and quality of public finances (section 3.2), increasing employment (section 3.3), creating the right climate

<sup>7</sup> For example, the recommendations in the 2004 BEPGs and the parallel ECOFIN Report on Globalisation.

for knowledge and innovation (section 3.4), improving investment conditions, including for SMEs (section 3.5) and the sustainable use of resources (section 3.6). It should be noted that Member States underlined the need for stability- and growth-orientated macroeconomic policies which underpin balanced economic growth.

### 3.2 *Sustainability and quality of public finances*

All Member States recognise in their NRPs the need for sound and sustainable public finances with many Member States stating their intention to improve their deficit and debt position<sup>8</sup>. Furthermore and on a general note, the country reviews underlined the need to reflect the possible budgetary impact of the reforms and measures as laid down in the NRPs.

As regards long-term fiscal sustainability, ageing is projected to strongly affect public expenditures for pensions as well as health care. In line with the three-pronged strategy of increasing employment rates, reducing public debt and reforming pension and health care systems, many **Member States are implementing or preparing further pension reforms to increase the sustainability of their public finances**. Inadequate progress so far in increasing employment rates and reducing debt burden remain areas of prime concern. The country reviews highlighted a number of interesting measures being taken on pension reform (see box below). Importantly, a few Member States (ES, NL) are introducing measures to curb other exit routes for retirement, e.g. disability schemes. It was noted that measures to increase future labour supply should be considered within a fiscally sustainable framework. For controlling the costs of health care associated with an ageing population, only a few Member States (BE, CY, EL, FR, LV, NL) are introducing stronger incentives for cost control while simultaneously guaranteeing accessibility.

As regards the quality of public finances reflecting national priorities, a clear focus on a growth oriented and efficient allocation of resources is necessary for the public sector to make a full contribution towards the Lisbon goals. Long-term structural reform programmes and an adequate administrative and institutional setting can help to realise these priorities. Some Member States (CY, EL, ES, FR, HU, IE, PT, UK) point out in their NRPs that this strand is an essential part of their public sector policy.

The peer review of the NRPs seems to suggest that **given the scale of the ageing challenge, Europe must do more to ensure the sustainability of its public finances**. The update of the EPC's long-term budgetary calculations in February 2006 will provide more detailed information on whether the reforms announced in NRPs are sufficient to tackle the full scale of the problem.

#### **Reform of Pension and Retirement Schemes**

In their NRPs, many Member States describe new measures or the implementation of recently announced measures to increase both the statutory and effective retirement age.

*Measures under implementation:*

- Finland is implementing a broad range of measures. The most notable element is the linkage between future pension expenditure and life expectancy. From 2009 onwards, the benefit level of state pensions will be adjusted every year to account for the change in longevity for 62-year-olds. This is done by offsetting one against the other to ensure that total future pension liabilities remain unchanged on an actuarial basis. Increased longevity will no longer have an impact on Finnish state pension liabilities.
- Estonia is increasing the retirement age by six months every year. As a result, the statutory retirement age is now 63 for men and 59.5 for women. The statutory retirement age for women will be

<sup>8</sup> These efforts will be assessed during the upcoming discussions on the Stability and Convergence Programmes.

63 by 2016.

- In France, pension reforms in 2003 were aimed at increasing the participation of older workers in the labour market and extending pension contributions. This included a flexible retirement age, with deferred retirement providing an actuarially neutral, increased pension.
- In the UK, workers who choose to work longer and defer taking their state pension receive increased weekly payments, or, alternatively, deferred lump-sum payments.
- Other Member States have increased the statutory retirement age in general (AT, HU, LT, LV, SK) or for civil servants (CY, IE, PT)

*New measures:*

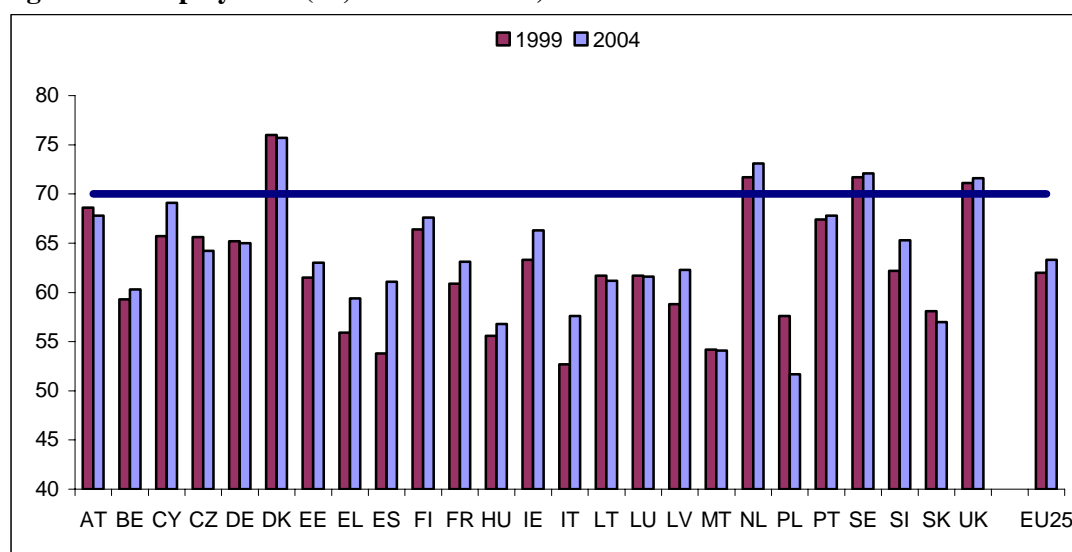
- Belgium is raising the effective retirement age, including through discouraging early retirement.
- Germany has announced a gradual increase in the statutory retirement age to 67, starting from 2012.
- The Netherlands will abolish the favourable tax treatment for early retirement schemes thereby increasing the incentive for older workers to remain active in the labour market.

### 3.3 Increasing employment

With 20 million people unemployed in Europe, improving the performance of labour markets is one of the most important priorities for Member States. Progress to-date has been slow. In 1999, the overall employment rate for the EU-25 was 62.0%. By 2004 this had increased by just 1.3% to 63.3%. **Attaining the Lisbon target of 70% employment by 2010 means 23 million more Europeans must find work in the next 5 years<sup>9</sup>.** To this end, Europe should focus in particular on continued tax and benefit reforms to make work pay, more flexible wage bargaining systems, and a further increase in the adaptability of labour markets.

**In 2004, four countries met the EU-wide 70% employment rate target (DK, NL, SE, UK).** Only a few countries meet the female and older-worker targets. Clearly, the challenge to raise the labour market participation of these groups is even greater than the challenge of raising overall employment.

**Figure 1 – Employment (% , 1999 and 2004)**



Source: Commission, Employment in Europe 2005. Note: Data for CY and MT not available for 1999. Graph shows data for 2000. The bold line marks the Lisbon EU-wide employment rate target.

<sup>9</sup> See [http://europa.eu.int/comm/employment\\_social/employment\\_analysis/employ\\_2005\\_en.htm](http://europa.eu.int/comm/employment_social/employment_analysis/employ_2005_en.htm).

The NRPs show that the greater part of Member States has set ambitious, quantitative targets for the overall employment rate. **For the EU as a whole, the targets for 2008 are set at 2-3 percentage points above current levels** (see annex B). **If these targets are to be met, some 10 million jobs will need to be created up until 2008.** Member States also show ambitions for 2008-2010, for 2010 aiming at another 2-3 percentage points beyond the targets set for 2008. Achievement of these two steps would bring the overall employment target of 70% for the EU as a whole within reach<sup>10</sup>. For the 2008-2010 period, it is impossible to judge whether the ambitious targets can be met, while policy actions for this period are not within the scope of these NRPs and thus not formulated.

Work by the EPC's Labour Market Working Group shows that in recent years Member States have aimed their labour market policies mainly at the labour supply. Most policy measures were in the field of taxation, active labour market policies, unemployment and welfare related benefits, and the development of vocational and training activities. In the country reviews, some Member States pointed to the overall positive effects on their labour markets by open borders for migration from the new Member States.

For the 2005-2008 period, the NRPs present many policy measures to improve the performance of the labour market. **Member States have announced many policy measures to improve labour market performance, most notably in the area of taxation, unemployment and welfare-related benefits.** These measures improve incentives and make work financially more attractive. The NRPs also indicate a progressive shift from passive to active labour market policies in the coming years. Noteworthy are measures in the areas of employment protection legislation (AT, CZ, DE, ES, FR, IT, NL, PT) and inactivity, disability, sickness and early retirement schemes (BE, CZ, DE, EL, IT, NL, PL, SE). The concept of relatively high unemployment benefits combined with rather strict enforcement and education measures (the so-called "flexicurity" approach) is being taken up by an increasing number of Member States (DK, FI, FR, UK). It must be noted that such systems can be costly: government expenditure on labour market programmes (on both active and passive measures) in DK totals 5% of GDP. With ageing populations and unchanged participation rates, this could give rise to fiscal problems in the longer term.

Although Member States have announced many policy measures to improve labour market performance, it seems that more urgent and intensified action is needed to fulfil their ambitions. The country reviews highlighted the importance of continued tax and benefit reforms to make work pay, increasing skills and promoting life-long learning, stimulating employment-friendly wage bargaining systems and further increasing the adaptability of labour markets. Also, the "flexicurity" approach - relatively high unemployment benefits combined with strict enforcement and reskilling/retraining measures - seems to be a promising strand. Clearly, these measures should be affordable in the context of maintaining sound public finances. For some Member States, regional mobility poses a particular challenge.

**It appears that for the 2005-2008 period the NRPs predominantly present existing and/or already announced policies.** In some areas labour market policies are ambitious and it remains to be seen whether the proposed and on-going policy measures will be sufficient for Member States to reach the targets they have set for themselves. With regard to increasing the participation of older workers and women, more urgent action is needed. Timely implementation is crucial here.

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<sup>10</sup> It should be noted that some countries have not indicated national targets in their NRPs.



### Examples of Labour Market Policies

- In the area of active labour market policies, the Danish “flexicurity” model is much talked about. It is characterised by flexible rules for hiring and dismissal, a relatively high level of unemployment benefits and social security plus a comprehensive active labour market policy that encourages active job seeking and helps the unemployed get back into employment quickly. The Danish model has proved to be rather effective in guaranteeing sufficient dynamism in the labour market and facilitating fast transitions to employment.
- Other Member States are modernising their employment policies. Austria has transformed its severance pay legislation into a system of portable individual savings accounts ("Abfertigung NEU"). This can be considered a new approach towards employment protection legislation (EPL). Since 2003, employers have been required to contribute 1.53% of the payroll to an individual savings account. When the employer terminates the contract or the employee chooses to leave the firm, an employee with at least three years of service can choose between taking his/her severance pay from the account immediately or saving the entitlement for pension purposes. If the employee has less than three years of service, the entitlement is portable and can be carried over to the next employer. An employee can therefore save the 'separation allowance' over his/her entire working life. This contributes to strengthening the second pillar of the pension system.
- The UK's Pathways to Work scheme is aimed at reducing the number of people on incapacity benefit by helping them to find work. Research has shown that large numbers of such people would like to work given the right support. The Pathways to Work pilots aim to provide this. They provide a range of support including specialist employment advice, programmes to manage health problems and a £40 per week Return to Work Credit to make work pay. As a result of the scheme, the number of incapacity benefit claimants helped into work in pilot districts has doubled, compared with the pre-pilot period. As many as five times more claimants are taking up work in these areas.
- Also, France has announced measures to increase labour supply and demand through various measures. They include strengthening effective control of job search, tax relief to promote the employment of low-skilled workers, increased cooperation between the unemployment benefits agency and the agency providing support for job search, and abolition of the monopoly of the public employment agency

### 3.4 *Creating the right climate for knowledge and innovation*

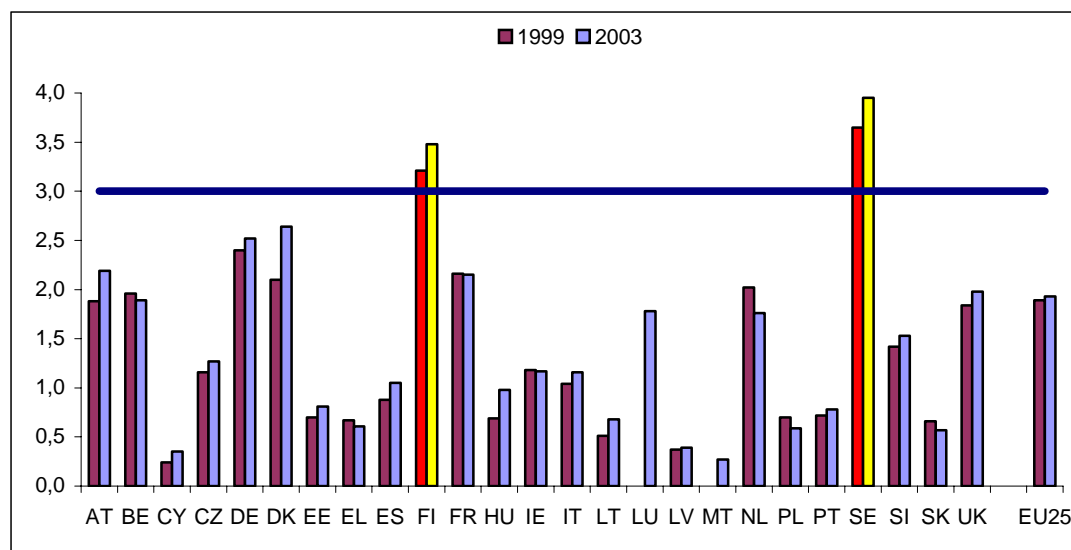
Global competition is increasingly entering high-tech, high value added markets for both goods and services. This development is underpinned by a strong increase in R&D spending in some emerging countries. If China maintains its current double-digit growth, its R&D spending will be (in % of GDP) above Europe's targets before 2010<sup>11</sup>. To keep pace, Europe should in particular aim to increase private R&D spending.

**So far, European R&D spending has not kept pace.** From 1999 to 2003, total (public and private) R&D investment in the EU increased only marginally from 1.89% to 1.93% GDP<sup>12</sup>. FI and SE are the only two Member States where R&D expenditure already exceeds the spending target. During the 1999-2003 period, just five Member States (AT, DK, FI, HU, SE) achieved significant increases in total R&D expenditure. On current trends, R&D investment in the EU-25 will be just 2.2% GDP by 2010.

<sup>11</sup> See European Commission, Towards a European Research Area, science, Technology and Innovation, Key Figures 2005, 2005.

<sup>12</sup> Business R&D expenditure amounted to 1.23% GDP in 2003.

**Figure 2 R&D expenditure (%GDP, 1999 and 2003)**



Source: Structural indicators, Eurostat. Note: IT 2002. Data for LU and MT not available for 1999. The bold line marks the Lisbon EU-wide R&D target.

Europe must remain competitive in these high-value markets if it is to continue to deliver rising living standards to its citizens. **Many Member States plan a significant increase in overall R&D expenditure at national level by 2010.** However, it is unlikely (see Annex B) that at the aggregate level these targets will enable Europe as a whole to meet the Lisbon spending target of 3% of GDP by 2010. A number of Member States have not set domestic targets. Moreover, increases in R&D expenditure are largely driven by public spending on R&D (probably reaching 1% of GDP in 2010). For some Member States such increases may strain their capacity, given their starting position with respect to R&D as well as country specifics. Furthermore, the efficiency of R&D spending must be ensured and science-industry links should be improved.

Nearly all Member States have also announced measures to encourage private R&D expenditure. The most widespread measures include extension of tax credits for private R&D expenditure (CZ, DK, EL, ES, FR, IE, IT, HU, LV, MT, PT), improving the quality of education and measures to strengthen science-industry links (see box below). Noteworthy in this respect is that many Member States have identified education and training as a key challenge. Education and training play a crucial role in delivering highly skilled labour. The development and effective use of ICT could also improve the attractiveness of Europe for knowledge-based industries. Although these are welcome steps, it is uncertain whether these policy measures are sufficient to improve the effectiveness of public R&D expenditure in leveraging business R&D spending. Finding an answer to this question is a prerequisite for improving Europe's performance in R&D and innovation.

Furthermore, it was underlined during the peer review that R&D spending is not the only source of innovation. Some of the greatest gains from innovation will come from higher productivity in service sectors such as retailing, distribution and retail financial services, which are together considerably larger than the manufacturing sector or the traditional high-tech industries. R&D is unlikely to be the prime factor affecting innovation in these sectors, though it may well play a part. But availability of a skilled workforce, effective and developing use of ICT and high-quality management will all play an important role.

### **Stimulating R&D**

Many Member States are taking measures to strengthen science-industry links. To increase cooperation between state-funded research and privately funded research, France is creating clusters of innovation: the so-called *pôles de compétitivité*. Other Member States are launching similar efforts.

To ensure the efficiency of increased R&D spending, an increase in the quality of the labour force and the number of knowledge workers is required. Member States are stepping up on-going initiatives in the area of training and education. A modern education policy, able to provide the skills needed in modern economies, is called for in a majority of Member States, especially in the new Member States. SE has put in place a scheme to give citizens a legal right to take study leave.

### *3.5 Improving the business climate (including for SMEs)*

The parallel ECOFIN Report on Globalisation has highlighted the impact of the improved competitiveness of other regions of the world, notably China and India. Again, this presents Europe with a challenge to reform or risk losing ground in this increasingly competitive, global marketplace. Some Member States (CZ, EE, IE, SI) are improving their business climate also to attract foreign direct investments, which is one of the driving forces behind technological development and knowledge dispersion.

#### *Functioning of markets*

The NRPs indicate that Member States are increasingly recognising the importance of a more competitive marketplace. **Some programmes report progress, albeit limited, in the functioning of markets.** The transposition deficit for Internal Market directives now stands at 1.9% for the EU-25 Member States compared to 7.1% one year ago, partly due to the from improved performance of new Member States. State-aid has been reduced and is nowadays somewhat less distortionary.

Despite this progress, **many Member States acknowledge that their goods, services and energy markets are still not fully competitive yet.** Moreover, they report quite a wide variation in the implementation of EU-regulation for network industries. Half of the Member States are strengthening the powers of national competition authorities (AT, BE, DK, EE, EL, ES, FI, IE, NL, LV, SK, SI, SE, UK). This includes measures to increase investigations and impose punitive sanctions. DK, for example, has set a target of halving the number of sectors facing competition problems. In all Member States consumer authorities have been or are being established in accordance with EU regulation.

While such measures are welcome, **more urgent action is needed to remove unjustified barriers to entry and to ensure the proper functioning of markets, including in the services sector, the regulated professions, and the network industries.** In some Member States, there is evidently room for improvement both in the services sector and in network industries, in particular energy. In the services sector, there is considerable scope for job creation and room for improvement with regard to the integration of Europe's service markets.

#### *Better regulation*

An overly burdensome regulatory environment is inhibiting competitiveness and growth in the European Union. The 2005 EPC Annual Report on Structural Reforms therefore highlighted the need to "improve the regulatory environment at Community and national level". Research suggests that an improved regulatory environment could bring productivity gains for many EU economies. Most NRPs recognise such benefits and stress the commitment of the authorities to better regulation. The

Commission has announced that cutting red tape in Brussels is its key priority. **Clearly, the process of better regulation is gaining momentum in Europe, at both EU and national level.**

An increasing number of the Member States (CZ, DK, FR, IE, NL, PL, SE, UK) are in the process of introducing impact assessment systems to measure the burden of regulation imposed on business. Some NRPs provide examples of best practice by setting quantitative targets for reductions in administrative burdens (SE, NL, DK). Several other NRPs set out new policy proposals to improve the regulatory environment (CZ, EE, EL, ES, FI, IT, NL, PT, SI, SE, SK, CY, MT). Stepping up the pace of implementation is now essential and other Member States should also engage in activities to improve their regulatory framework, drawing on the experiences of others. Member States should further develop strategies in the area of administrative reform.

#### **Examples of better regulation**

In 2003, **the Netherlands** set up a forum for SME's on the internet to gather information on regulatory conflicts. It turned out that the majority of conflicts concerned formal rules and regulations, operational conflicts, differences in interpretation by governmental agencies and conflicting procedures. The division of tasks between legislative and enforcement authorities added to the perceived problems of regulatory conflicts. All the problems were addressed and solved. In addition, a database for regulatory conflicts and the solutions was published on the internet, to inform and assist entrepreneurs and authorities in identifying and solving similar problems.

A new Business Regulation Forum will be set up in **Ireland** in 2005, composed of senior business and public sector members. The forum is considered a key element in implementing the Irish government's commitment to better regulation and to addressing administrative burdens that can genuinely be identified as disproportionate. It will report to the Minister for Enterprise, Trade and Employment and its work will include an examination of the burdens imposed on business by outdated, inefficient or disproportionate regulation. It will also advise on regulatory issues where they impact on business and competitiveness.

#### *Entrepreneurship*

**Member States are taking steps to promote entrepreneurship.** Examples include one-stop contact points for advice and registration on starting a new business (BE, CZ, EL, ES, MT, NL, PL, PT, SI), public-private funds to improve access to finance for new, innovative starters (CY, CZ, EE, IE, LT, LV, MT) and the inclusion of entrepreneurship in school curricula. Some Member States (FR, MT, NL, SI) also provide favourable tax treatment or vouchers for innovative research or spending by SMEs. Clearly, a more transparent tax system with lower corporate rates also improves the enterprise climate.

#### *Infrastructure*

Integrating Europe's infrastructure into an efficient transport network will help to make the single market a success. There is widespread support for the TEN projects. To connect Europe's markets, improvements in transport infrastructure are required. Several Member States (AT, CZ, EE, ES, FI, IT, LV, PL, SK) have announced increased government spending. Also, a number of Member States are considering public-private partnerships. **The investments in infrastructure projects aim to make transport and energy infrastructure more efficient while promoting sustainable transport.** SE will introduce a pilot for a congestion tax to promote more efficient use of existing road capacity. Some Member States are planning to improve broadband internet facilities in remote areas (FR, IE, LV) and in schools (PT, SK).

### 3.6 *Sustainable use of resources*

The 2005 Spring European Council reiterated the important contribution of environment policy to growth and employment, in particular through eco-innovation, eco-technology, energy efficiency, renewable energies and the sustainable development of resources. Europe should continue to show leadership in this area, with appropriate consideration of competitiveness issues.

The NRPs show widespread support in Europe for the Environmental Technologies Action Plan (ETAP), which has put in place a framework for the continued development and spread of environmentally friendly technologies, products, and services. A majority of Member States have announced actions to support advances in environmental technologies that address ecological challenges while also boosting competitiveness and growth. These actions include green public procurement (AT, EE, IE, IT) and partnerships to facilitate the transfer of environmental technologies and expertise to developing countries (UK). AT, DK and SE seem to deliver a comprehensive approach in this area.

## 4 **The Community Lisbon Programme**

The June 2005 European Council invited the European Commission to present a Community Lisbon Programme (CLP) setting out all the actions to be taken at Community level to deliver the Lisbon Agenda. The CLP recognises that increasing growth and creating jobs is primarily the responsibility of Member States, but that in a number of areas action needs to be taken at Community level. In the CLP, the Commission identified eight priorities and outlined nearly 100 measures and actions aimed at complementing the reform efforts of Member States where it believes there is clear added value from action, or co-ordination, at EU level. Actions to improve Community regulation and to facilitate increased R&D and innovation, open markets, especially for services, and external openness are key priorities, subject to an agreement on the Financial Perspectives 2007-2013. Clearly, delivering on these priorities requires cooperation from Member States and due priority to be given to the CLP by the Council and the European Parliament.

**The Commission is on the right track in the area of better regulation** with enhanced impact assessments with a clear focus on competitiveness testing, simplification of existing legislation, screening of pending proposals, and a commitment to measuring administrative burdens. These efforts are welcome, and the Commission must integrate these different strands into a comprehensive and sustained work programme for better regulation. The engagement of business at every stage in the regulatory process can also contribute. The Council and the EP should pursue a similarly ambitious agenda, in accordance with the inter-institutional agreement.

In the area of promoting R&D and innovation the Commission can play an important role. **Key actions set out in the CLP include the removal of obstacles to academic mobility and the 7th Framework programme for research (FP7).** The focus should be on ensuring the best basic research, promoting excellence and ensuring value for money. Reaching agreement on a Community Patent - which the business community urgently needs - remains a priority.

**The Commission also has an important role to play in completing the internal market, in particular for services.** Calculations by the Copenhagen Institute indicate that **implementation of the**

**Services directive could create up to 600,000 jobs<sup>13</sup> in the medium-term and boost GDP by 0.6%.** Although the services directive is in itself EU-legislation, the bulk of the work to be done (i.e. screening of national legislation or the one-stop-shop for service providers) is at national level. Some Member States (LV, IT, NL, SE) are already embarking on a screening exercise.

Improving the functioning of the European energy market is another priority, in particular the effective implementation of existing legislation on the liberalisation of electricity and gas markets to secure lower prices for end-users and prevent market dominance by one or a few suppliers. It is also important that there is a consistent European approach to policy issues connecting competitiveness, energy and the environment, including for example the tackling of carbon emissions.

A third strand in improving the efficiency of the single market is through connecting the EU markets. The CLP suggests that **infrastructure investment in transport, environment and energy is necessary to provide for connections across borders and in regions lagging behind**, especially in the new Member States.

Finally on external trade, the CLP calls for **an ambitious agreement on the Doha Development Agenda, which is key to boosting global economic growth, development and poverty reduction**. A successful conclusion to the Doha Round is essential.

## **5 Main Findings and Conclusions**

Increased globalisation and intensified competition from abroad mean Europe must address new policy challenges and opportunities. Europe has shown progress in improving its performance with regard to the Lisbon targets, e.g. employment. But, Europe's growth record has been poor relative to its main competitors in recent years, and unemployment still stands at some 20 million. The parallel ECOFIN Report on Globalisation identifies the need for European economies to adapt more rapidly to technological and market changes, shifting resources more swiftly to new areas of comparative advantage. Progress with economic reforms and the conduct of stability and growth orientated macroeconomic policies are two mutually enforcing and complementary elements so as to meet these challenges.

**The introduction of National Reform Programmes (NRPs) in the revamped Lisbon Strategy has had a positive impact on Member States' national ownership.** Member States have invested heavily in increasing the commitment of stakeholders, including national parliaments. The collective nature of the exercise has added value, encouraging Member States to both prepare plans and share best practices. Within seven months, Member States have prepared comprehensive documents giving an impressive overview of all Lisbon-type policy measures aimed at achieving growth and jobs, albeit differing in structure and presentation. The NRPs demonstrate a strong commitment by Member States to implementing further reforms to increase the welfare of their people. This reflects Europe's renewed focus on growth and employment in line with the Broad Economic Policy Guidelines (BEPGs) as part of the Integrated Guidelines. During the preparation of their Lisbon NRPs, Member States have benefited from input by regional and local authorities and social partners. This involvement of stakeholders could enhance the window for reform, by facilitating implementation of measures which might sometimes be painful, especially for insiders.

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<sup>13</sup> Employing a static approach, this study suggests that 90% of these additional jobs stems from the use of the "freedom of establishment principle". Implementing the country-of-origin principle may yield additional jobs in later years.

Member States have carefully translated Europe's challenges to increase growth and employment into challenges for their own economies. **In the NRPs, Member States have identified five key challenges: labour market performance, the sustainability and quality of public finances, performance in R&D and innovation, the climate for business and enterprises, and education and training.** Member States have formulated policies in the NRPs to enhance competition but it is striking to note that **only a small number of Member States identified competition as a key challenge.** A framework for competition drives productivity and innovation, resulting in downward pressure on prices and increased diversity and quality of products available to consumers. Some Member States may be able to improve the focus and consistency of their NRPs. More generally, full attention to implementation is crucial.

**The majority of Member States have set quantitative targets for overall employment.** On average, targets are set 2-3 percentage points above current levels, corresponding to over ten million additional jobs up until 2008. Although Member States have announced many policy measures to improve labour market performance, it seems that more urgent and intensified action is needed to actually give the right response to this ambition. This concerns in particular continued tax and benefit reforms to make work pay, increasing skills and promoting life-long learning, stimulating more employment-friendly wage bargaining systems, and further increasing the adaptability of labour markets. Also, the "flexicurity" approach - relatively high unemployment benefits combined with strict enforcement and reskilling/retaining measures - seems to be a promising strand. It has been noted that these measures should be affordable in the context of maintaining sound and sustainable public finances. Moreover, monitoring the implementation and evaluating the effectiveness of policy measures is essential. Member States show ambition also for the 2008-2010 period, adding another 2-3 percentage points over and above the overall ambitious employment target for 2008.

With global competition entering increasingly high-tech markets for both goods and services, the need for Europe to improve its performance in developing new technologies and products is obvious. Increased spending on R&D (taking into account the variation in starting position) and providing the right framework conditions for knowledge-intensive industries are essential. However, the efficiency of R&D spending must be ensured. **Member States indicate in their NRPs a strong rise in overall R&D expenditure by 2010.** But adding up the targets of the Member States indicates that overall spending on R&D will remain below the 3% spending target. At the moment, FI and SE are the only Member States that have spending levels above the target of the EU as a whole. Europe plans to increase public R&D expenditure to 1% of GDP in 2010. Most Member States have set domestic targets for R&D spending. However, Member States have not yet found the answers how to create an environment more attractive for R&D intensive industries and how to improve the leverage of public R&D expenditure for private R&D. In some NRPs, concrete policies are lacking. Improving science-industry links should be an important element of those policies. Many Member States are stepping up on-going initiatives in the area of training and education so as to deliver highly skilled labour. In the area of promoting R&D and innovation, the Commission can also contribute through the 7th Framework programme for research (FP7). At the same time, it is important to recognise that R&D is not the only source of innovation. In service sectors such as retailing and distribution or the financial sector, innovation is increasingly indispensable. For such sectors, the availability of a well-qualified workforce and the effective use and development of ICT are likely to be more important than R&D per se.

As regards long-term fiscal sustainability, ageing is projected to affect strongly pensions spending as well as health care. In line with the three-pronged strategy of increasing employment rates, reducing public debt and reforming pension and health care systems, **many Member States have announced or**

**are implementing pension and health care reforms with a view to making their public finances more sustainable.** Inadequate progress so far in increasing employment rates and reducing debt burden remain areas of prime concern. In particular, the financial soundness of public pay-as-you-go pension systems is improved by measures to raise the effective retirement age, flexible retirement arrangements and tightening benefits. All this will also contribute to broadening the future labour supply. It appears that in some cases more must be done in these areas to address the full scale of the problem. The EPC will publish its updated long-term budgetary projections in February 2006. As regards the quality of public finances taking into account national priorities, a clear focus on the growth oriented and efficient allocation of resources is necessary for the public sector to make a full contribution towards the Lisbon goals.

Generally, Member States are putting in place conditions for a good business and enterprises climate. **The process of better regulation at national and Community level is gaining momentum in Europe.** Member States are increasingly serious in their efforts to improve the regulatory framework and to tackle domestically the burden of regulation imposed on businesses, thus strengthening the climate for businesses and enterprises. A third of all Member States are in the process of introducing impact assessment systems to measure the burden of regulation imposed on business and three quarters are setting examples of best practices by setting quantitative targets for reductions in administrative burdens while assuring the quality of regulations. This is all to the good, but an acceleration and intensification of effort is needed. Other Member States should also engage in activities to improve their regulatory framework. The Commission is on the right track with competitiveness testing, simplification of existing legislation, screening of pending proposals, and a commitment to measuring administrative burdens.

Despite progress made in the transposition of Internal Market directives and EU-regulation on network industries, many Member States are reporting goods and services markets that do not function fully yet. While a number of Member States do not mention competition as a key challenge, in half of the Member States the powers of competition authorities are extended or strengthened, reflecting a more positive stance towards a more competitive marketplace. This is a promising strand, but it appears that more must be done. **Unjustified barriers to entry should be removed and efforts should be undertaken to ensure the proper functioning of markets, including for services and energy.**

One of the key challenges in the Community Lisbon Programme is the completion of the single market for services. **Member States must strive for a fully operational internal market for services while preserving European social objectives.** In the area of R&D and innovation, FP7 and the removal of obstacles to academic mobility are key elements. Clearly, current visa and work-permit arrangements throughout the EU are not adapted to the EU research system of using third-country researchers.

In general, the policy measures presented in the NRPs provide a promising start for the re-launched Lisbon Strategy. Clearly, the challenge will now be to further strengthen the national strategies in some areas within a sustainable fiscal framework, by:

- stepping up their ambition,
- matching these ambitions with concrete policies,
- ensuring timely implementation and
- monitoring and evaluating progress to effectively realise the priorities flagged in NRPs.

**Europe cannot afford to lose precious time.** A quick start with implementation can provide Europe with stronger, healthier economies and will see strong players develop, grow and prosper in relevant economic sectors.



We recommend that the ECOFIN Council should invite the Commission, when preparing its first Annual Progress Report on the Lisbon Strategy, to pay due regard to this report and to present country-specific recommendations for reform in the context of the Integrated Guidelines. The Council will no doubt want to examine closely the Report to be prepared by the Commission. The Council might wish to invite the EPC and the EFC to assist it in the preparation of its contribution to the 2006 Spring European Council.

## Annex A Key challenges as identified by Member States

Member State	Key challenges							
Austria	I)	Sustainability of public finances	II)	Labour market and employment policy	III)	R&D, innovation	IV)	Infrastructure (incl. broadband)
	V)	Ensuring a good business environment and SME-policy	VI)	Education and life-long learning	VII)	Stimulating environmental technology and efficient use of resources		
Belgium	I)	Budgetary equilibrium and reduction of the general government debt ratio	II)	Stimulating creation of jobs	III)	Reform of the labour market and investing in education and training	IV)	Investing to stimulate the economy
	V)	Strengthening social security and the multi-dimensional battle against poverty	VI)	Strengthening synergies between environmental protection and growth				
Cyprus	I)	Sustainability of public finances	II)	Improving the quality of public finances	III)	Increasing the diversification of the economy towards higher value added activities	IV)	Promotion of R&D and innovation and facilitation of ICT diffusion
	V)	Enhancing competition and improving the overall business climate	VI)	Upgrading of basic infrastructures	VII)	Further human capital development	VIII)	Further enhancement of the conditions for social cohesion
	IX)	Ensuring environmental sustainability						
Czech Republic	I)	Public finances	II)	Business environment	III)	R&D, innovation	IV)	Sustainable utilisation of resources
	V)	Modernisation and development of transport and ICT networks	VI)	Labour market flexibility	VII)	Inclusion on labour market	VIII)	Education
Denmark	I)	Denmark as a knowledge society	II)	Efficient competition and the internal market	III)	Sustainability, the environment and energy	IV)	The Danish employment policy
	V)	Continuous improvements of the public sector						
Estonia	I)	Stable macroeconomic environment	II)	Long-term sustainability of fiscal policy	III)	Direction of the fiscal policy to improve economic growth and employment	IV)	Quality of R&D, as well as the capacity for innovation, growth, and long-term international

	V)	The development of a business environment promoting entrepreneurship and initiative	VI)	Strengthening the synergy between environmental protection and growth	VII)	Improving the quality of labour force	VIII)	competitiveness Increasing labour supply
	IX)	Increase in the flexibility of the labour market and modernisation of labour relations						
Finland	I)	Preparing for population ageing	II)	Controlling public expenditure	III)	Securing welfare services and the productivity of general government	IV)	Knowledge and innovation
	V)	Promoting entrepreneurship	VI)	Creating better functioning and more competitive markets	VII)	Improving information, communication and transport networks	VIII)	Energy and climate policy that supports structural change and sustainable development
	IX)	Extending labour market careers	X)	Improving the incentives of tax and benefit systems and wage formation	XI)	Improving the balance between labour demand and supply		
France	I)	Employment	II)	Business competitiveness	III)	Industrial policy and research	IV)	Sustainability of public finances
Germany								
Greece	I)	To restore fiscal balance and ensure the long-term sustainability of public finances	II)	To increase productivity by addressing the structural problems in the operation of markets, investing in human capital and promoting a knowledge-based society.	III)	To improve the business environment, enhance competition, liberalise regulated markets, increase external openness and benefit from the country's geopolitical position	IV)	To increase employment rates, reduce unemployment and improve the effectiveness of education and training
Hungary	I)	Simultaneous, gradual and continued decrease in the size and deficit of the governmental sector in the coming years	II)	Knowledge and innovation, widening the basis of competitiveness	III)	Improving the business environment, intensification of competition	IV)	Attracting and retaining more people in employment and modernising social protection systems
	V)	Improving the adaptability of workers and enterprises	VI)	Increasing investment in human capital through				

		and the flexibility of labour markets		better education and training				
Ireland	I)	Maintaining a stable macroeconomic environment, sustainable public finances, and moderate inflation levels	II)	Prioritising public investment in economic and social infrastructure and other growth-enhancing expenditures	III)	Ensuring that the economy will be in a position to meet anticipated long-run fiscal pressures, including those arising from the ageing of the population	IV)	Promoting, protecting and enhancing competitiveness
	V)	Increasing R&D investment, capacity and output	VI)	Encouraging greater innovation and entrepreneurship across the enterprise sector	VII)	To continue addressing the physical infrastructure deficit, particularly in the transport sector	VIII)	Continuing to roll out regulatory reform
	IX)	Support for social inclusion and sustainable development	X)	Continuing to achieve higher levels of employment, improved quality and productivity of work, and social cohesion	XI)	Focusing on education and training, including lifelong learning, to develop a high- skilled, innovative and adaptable workforce for the knowledge economy	XII)	Ensuring an adequate labour supply to meet the economy's needs
Italy	I)	Extending the area of free choice for citizens and companies (i.e. liberalising the energy and services sector)	II)	Granting incentives for scientific research and technological innovation	III)	Strengthening education and training of human capital	IV)	Upgrading tangible and intangible infrastructure
	V)	Protecting the environment						
Latvia	I)	Ensuring macro-economic security	II)	Stimulating knowledge and information	III)	Developing a favourable and attractive environment for investment and work	IV)	Fostering employment
	V)	Improving education and skills						
Lithuania	I)	To sustain fast economic growth and a stable macro-economic environment and to seek full-fledged membership in the EMU	II)	To promote the competitiveness of companies	III)	To promote employment and investment in human capital		
Luxembourg	I)	Innovation	II)	Employment	III)	Education	IV)	Attractive business climate

	IV)	Stable macro-economic framework	V)	Sustainable development				
Malta	I)	Sustainability of public finances	II)	Competitiveness	III)	Employment	IV)	Education and training
	V)	Environment						
The Netherlands	I)	Increasing labour supply	II)	Increasing the capacity to innovate through enhanced productivity				
Poland	I)	Consolidating public finances and improving public finance management	II)	Developing entrepreneurship	III)	Increased innovation of companies	IV)	Infrastructure development and upgrading and ensuring competitive conditions in network sectors
	V)	Job creation and retention and reducing unemployment	VI)	Improving adaptation skills of employees and companies through investment in human capital				
Portugal	I)	To promote growth, consolidate public accounts and control the external deficit	II)	To redirect public resources allocation, with priority given to investment inducing growth and job creation	III)	To safeguard the fairness and sustainability of the social protection system	IV)	To cut red tape and ensure better conditions for free competition
	V)	To promote strategic agreements in the areas of labour relations and broad development options for the country	VI)	To return to a trend towards real convergence with average levels of income in the European Union	VII)	To create a more attractive business climate for private initiative	VIII)	To increase investment in R&D, from both public and private sources
	IX)	To promote innovation, disseminate access to information technologies in an inclusive way	X)	To improve market efficiency and, in particular, service regulation	XI)	To ensure a more sustainable use of natural resources	XII)	To preserve a dynamic and evolving Social State, by promoting social, territorial and environmental cohesion
	XIII)	To reinforce investment in qualifications and adapt education and training systems to the requirements of new skill creation	XIV)	To create new job opportunities through economic growth, labour productivity increases and responding to the needs of the social economy	XV)	To manage in an early and anticipative way restructuring and delocalization processes	XVI)	To promote flexibility with job security, within a framework of social dialogue and consensus

	XVII)	To modernise the social protection system	XVIII)	To develop the inclusive character of labour markets by promoting equal opportunities for all				
Slovakia	I)	Education and employment	II)	R&D and innovation	III)	Information society	IV)	Business environment
Slovenia	I)	A competitive economy and faster economic growth	II)	The effective generation, two-way flow and application of the knowledge needed for economic development and quality jobs	III)	An efficient and less costly state	IV)	A modern social state and higher employment
	V)	Measures for sustainable development						
Spain	I)	Enhanced macro-economic and budgetary stability	II)	Strategic Infrastructures and Transportation Plan (PEIT) and Water programme (“AGUA”)	III)	Increased and enhanced Human Capital	IV)	R&D and innovation Strategy
	V)	Increased competition, better regulation, more efficient public sector and competitiveness	VI)	Labour market and social dialogue	VII)	Business promotion plan		
Sweden	I)	Improving labour utilisation	II)	Efficient competition and well-functioning product markets				
United Kingdom	I)	Entrenching macroeconomic stability and maintaining fiscal sustainability	II)	Ensuring fairness through a modern and flexible welfare state that provides security for people and provides strong incentives to work and save	III)	Building an enterprising and flexible business sector that is the best in the world	IV)	Promoting innovation to ensure the UK is a world leader in turning scientific research into business innovation
	V)	Opening up the acquisition of skills for all	VI)	Increasing innovation and adaptability in the use of energy and resources and promoting low-carbon sources of energy.				

**Annex B Targets for R&D expenditures (%GDP) and overall employment (%)**

Member State	Total R&D expenditure (%GDP)		Level (2004)	Employment (%)	
	Level (2003)	Target 2010		Intermediary target	Target 2010
AT	2.19	3.00	67.8		70.0
BE	1.89	3.00	60.3		70.0
CY	0.35	0.65 (2008)	69.1		71.0
CZ	1.27	1.00 (public)	64.2	66.4	N.A.
DE	2.52	3.00	65.0		N.A.
DK	2.64	>3.00	75.7		2% increase
EE	0.81	1.90	63.0	65.8 (2008)	67.2
EL	0.61	1.50	59.4	62.5 (2008)	64.1
ES	1.05	2.00	61.1		66.0
FI	3.48	4.00	67.6		70.0
FR	2.15	N.A.	63.1		N.A.
HU	0.98	N.A.	56.8	59.0 (2006)	63.0
IE	1.17	2.50 (2013)	66.3		70.0
IT	1.16	3.00	57.6		N.A.
LT	0.68	2.00	61.2		68.8
LU	1.78	3.00	61.6		N.A.
LV	0.38	1.10 (2008)	62.3	65.0 (2008)	67.0
MT	0.27	N.A.	54.1		57.0
NL	1.76	Top 5 of EU	73.1		N.A.
PL	0.59	2.20	51.7		55.0
PT	0.78	N.A.	67.8	69.0 (2008)	70.0
SE	3.95	1.00 (public)	72.1		80.0
SI	1.53	3.00	65.3	67.0 (2008)	70.0
SK	0.57	N.A.	57.0		N.A.
UK	1.98	2.50 (2014)	71.6		80.0(long-term)
EU-25	1.93	3.00	63.3		70.0

## Annex C

Table 1 Summary of Member State performance against Headline Structural Indicators (levels)

Indicator	Report year	Reporting states	at	be	cy	cz	de	dk	ee	es	fi	fr	gr	hu	ie	it	lt	lu	lv	mt	nl	pl	pt	se	si	sk	uk	
1. GDP per capita in PPS	2004	25	+					+	-						+		-	+	-		+	-				-		
2. Labour productivity per person employed	2004	25		+					-		+	+			+		-	+	-			-				-		
3a. Total employment rate	2004	25			+			+						-		-				-	+	-		+		-	+	
3b. Employment rate – females	2004	25						+		-	+			-		-				-	+	-		+			+	
3c. Employment rate – males	2004	25			+			+						-	+		-			-	+	-				-	+	
4a. Total employment rate of older workers	2004	25	-	-				+	+		+											-		+	-	-	+	
4b. Employment rate of older workers – females	2004	25	-					+	+		+									-		-		+	-	-	+	
4c. Employment rate of older workers – males	2004	25	-	-	+			+						-	+					-		-		+			+	
5. GERD (Gross domestic expenditure on R&D)	2003	22	+		-		+	+			+	na	-			na			-	-		na		+		-		
6. Youth education attainment level – total	2004	24	+			+	-			-						-		na		-		+	-		+	+		
7. Comparative price levels*	2004	25				+	-	-			-				-		+		+			+		-		+		
8. Business investment	2004	25			-	+			+	+								-	+			-		-		+	-	
9. At-risk-of-poverty rate after social transfers*	2001	21			na	+		+		-	+			-	+	-			na	na				-	+	+	na	-
10. Dispersion of regional employment rates - total	2003	16	+		na			na	na	-			+	-	na	-	na	na	na	na	na	+				na		
11. Total long-term unemployment rate	2004	24	+		na		-	+						-			-	+				-		+		-	+	
12. Total greenhouse gas emissions	2003	25			-				+	-				+	-		+		+	-		+	-					
13. Energy intensity of the economy	2004	25	+			-	+	+	-			+			+		-		-							-		
14. Volume of freight transport relative to GDP	2003	24						+	-	-				-	+				-	na		+				+	+	

\* See notes for Table 1

‘na’ – data not available from Eurostat Structural Indicators database.

‘+’/‘-’ – best/worst performing quintiles.



Table 2 Summary of Member State performance against Headline Structural Indicators (progress since 1999)

Indicator	Report years	Reporting states	at	be	cy**	cz**	de	dk	ee	es	fi	fr	gr	hu	ie	it	lt	lu	lv	mt**	nl	pl	pt	se	si	sk	uk
1. GDP per capita in PPS **	2000 - 2004	25					-		+						+	-	+		+	-	-		-			+	
2. Labour productivity per person employed**	2000 - 2004	25			-				+	-				+		-	+	-	+	-						+	
3a. Total employment rate	1999 - 2004	23	-		+	-				+			+			+	-		+	**		-				-	
3b. Employment rate – females	1999 - 2004	23			+	-				+					+	+	-		+	-	**		-			-	
3c. Employment rate – males	1999 - 2004	23	-		**	-	-			+			+			+		-	+	**		-			+		
4a. Total employment rate of older workers	1999 - 2004	23	-		-	**					+	+	-	+					+	**	+	-	-				
4b. Employment rate of older workers – females	1999 - 2004	23	-		-	**			+		+		-	+					+	**	+	-	-				
4c. Employment rate of older workers – males	1999 - 2004	23	-		**				-		+	+	-	+						**	+	-	-		+		
5. GERD (Gross domestic expenditure on R&D)	1999-2003	20	+	-				+			+	na	-			na		na		na	-	na		+		-	
6. Youth education attainment level – total**	1999 - 2004	23		+	-		-			-	-			-		+	+	na		na		+	+			-	
7. Comparative price levels**	1999 - 2003	25		+	-	-		-				+	+	-	-									+			+
8. Business investment	1999 - 2004	25							+	+			+					-	+	+		-	-		-	-	
9. At-risk-of-poverty rate after social transfers**	1999-2001	15			na	na	-		na			+	+	na	-	-	na	+	na	na	-	na	+	-	na	na	
10. Dispersion of regional employment rates - total	1999 - 2003	16	-		na		-	na	na	+		+	+		na		na	na	na	na		-			na		
11. Total long-term unemployment rate**	1999 - 2004	24		+	na**	-	-			+						+			+	+	**		-	-		-	
12. Total greenhouse gas emissions**	1999-2003	25	-		-					-	-	+		+			+	-				+	+				
13. Energy intensity of the economy	1999-2004	25	-						+	-					+	-	+	-		+		+	-				
14. Volume of freight transport relative to GDP	1999-2003	24							-	-		+	+	+	-			-	-	na	+					+	

\*\* See notes for Table 2

‘na’ – data not available from Eurostat Structural Indicators database.

‘+’/‘-’ – best/worst performing quintiles.

**\* Notes for Table 1**

Indicator 7	‘+’: quintile with lowest price levels; ‘-’: quintile with highest price levels.
Indicator 9	Three countries were joint fourth best (fi, hu & si). Three countries were joint fourth worst (es, it & uk).

**\*\* Notes for Table 2**

Indicator 1	Average of annual real GDP growth rates for 2000 to 2004 was used.
Indicator 2	Average of (real GDP growth rate – employment growth rate) was used as a proxy.
Indicator 6	Two countries were joint fifth worst (de & hu).
Indicator 7	‘+’: quintile with largest price falls, ‘-’: quintile with largest price rises. This indicator does not take into account the impact of exchange rate fluctuations.
Indicator 9	Three countries were joint second best (gr, lu & pt). Three countries were joint third worst (it, nl & se).
Indicator 11	Data were not available for Cyprus for 2004.
Indicator 12	Two countries were joint fifth best (fr & uk).
cy & mt	For indicators 3, 4 & 9, progress is measured over the period 2000-04 due to the absence of 1999 data in the Eurostat Structural Indicators database.