



European Commission

The Lisbon Process

- Benchmarking for Competitiveness in the European Union

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The presentation does not necessarily represent the views of the European Commission

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Agenda

- 1. The Lisbon process**
- 2. European performance**
- 3. The New Member States**
- 4. DG Enterprise initiatives**
- 5. Mid term review and challenges ahead**

Lisbon summit in 2000

- ➔ **EU objective:**
- ➔ **To become the world's most dynamic and competitive knowledge-based economy in 2010**
- ➔ **Social and environmental dimension**
- ➔ **EU instruments:**
- ➔ **Legislative programme**
- ➔ **Open method of co-ordination**

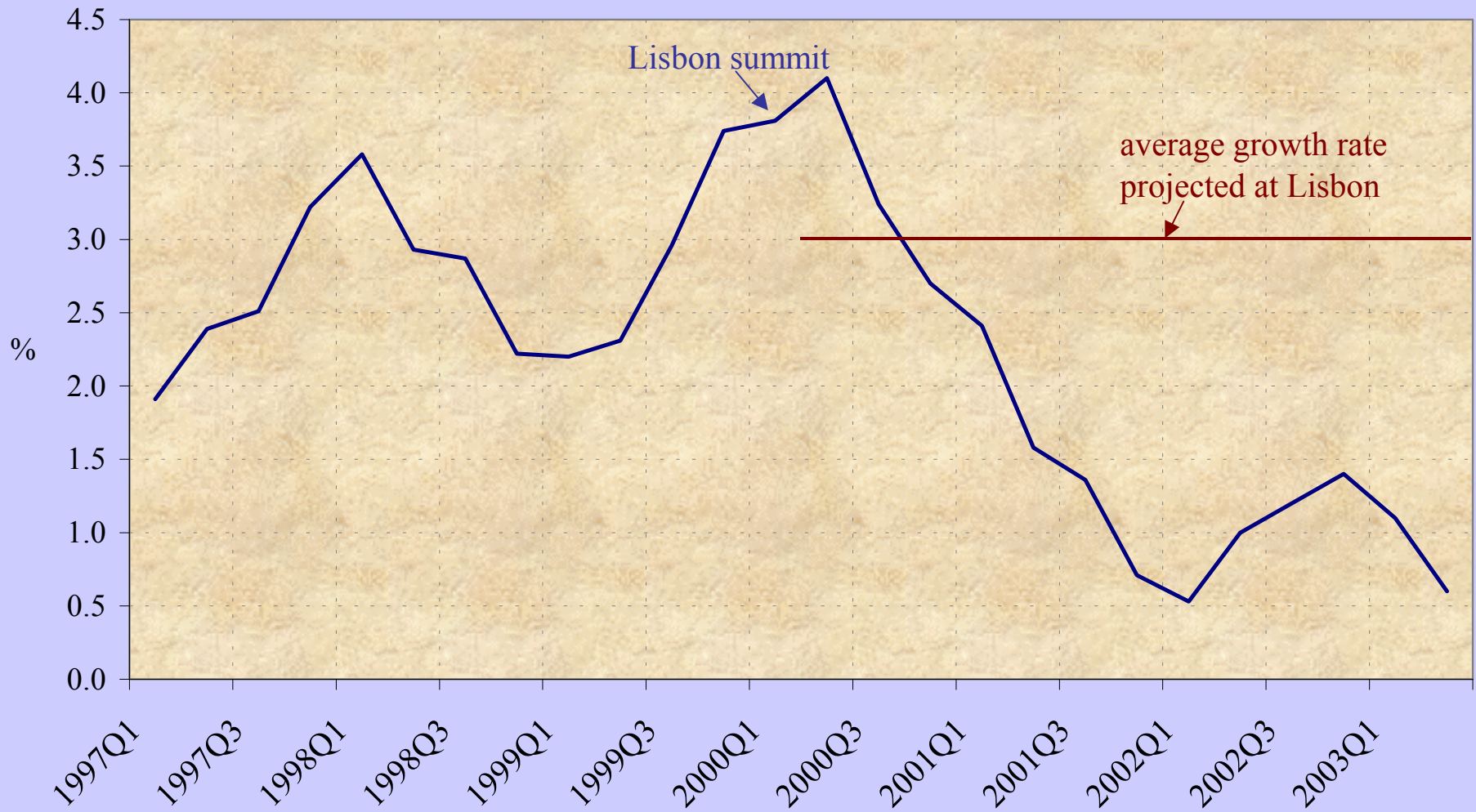
Open method of co-ordination

- Voluntary and non-legislative
- Benchmarking
- Targeting, deadlines, monitoring, peer review, etc.
- No sanctions besides shaming and blaming
- Flexible and allows for reinforced co-operation
- Make soft policies harder

Lisbon process

1. Spring summits (Political commitment reaffirmed - March 2004)
2. Annual status – Spring reports
3. Mid-term review 2005 (Wim Kok group)
4. New Commission

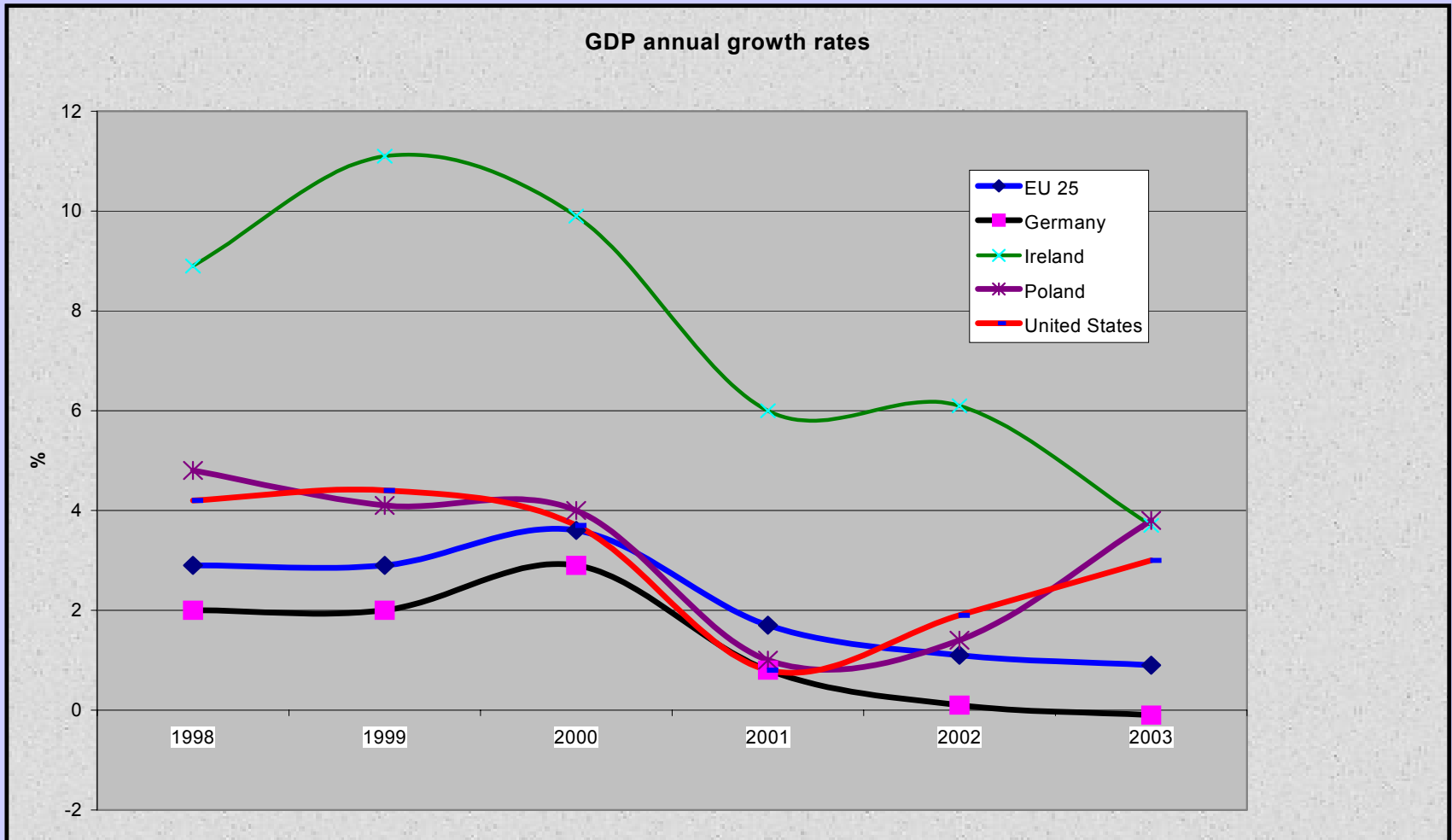
...after Lisbon, falling EU growth...



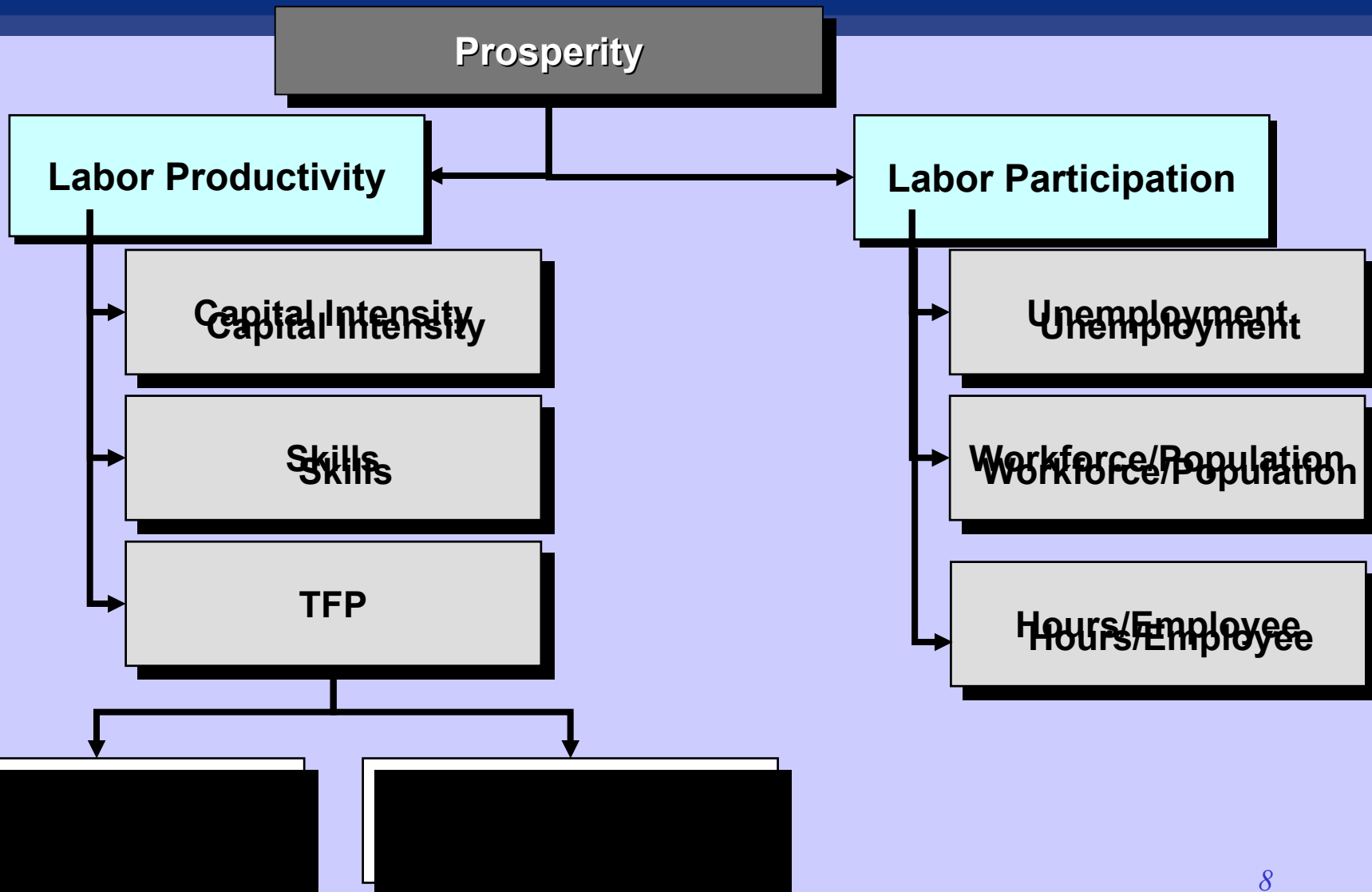
Note: growth of real GDP in comparison to the same quarter in the preceding year.

Source: Eurostat.

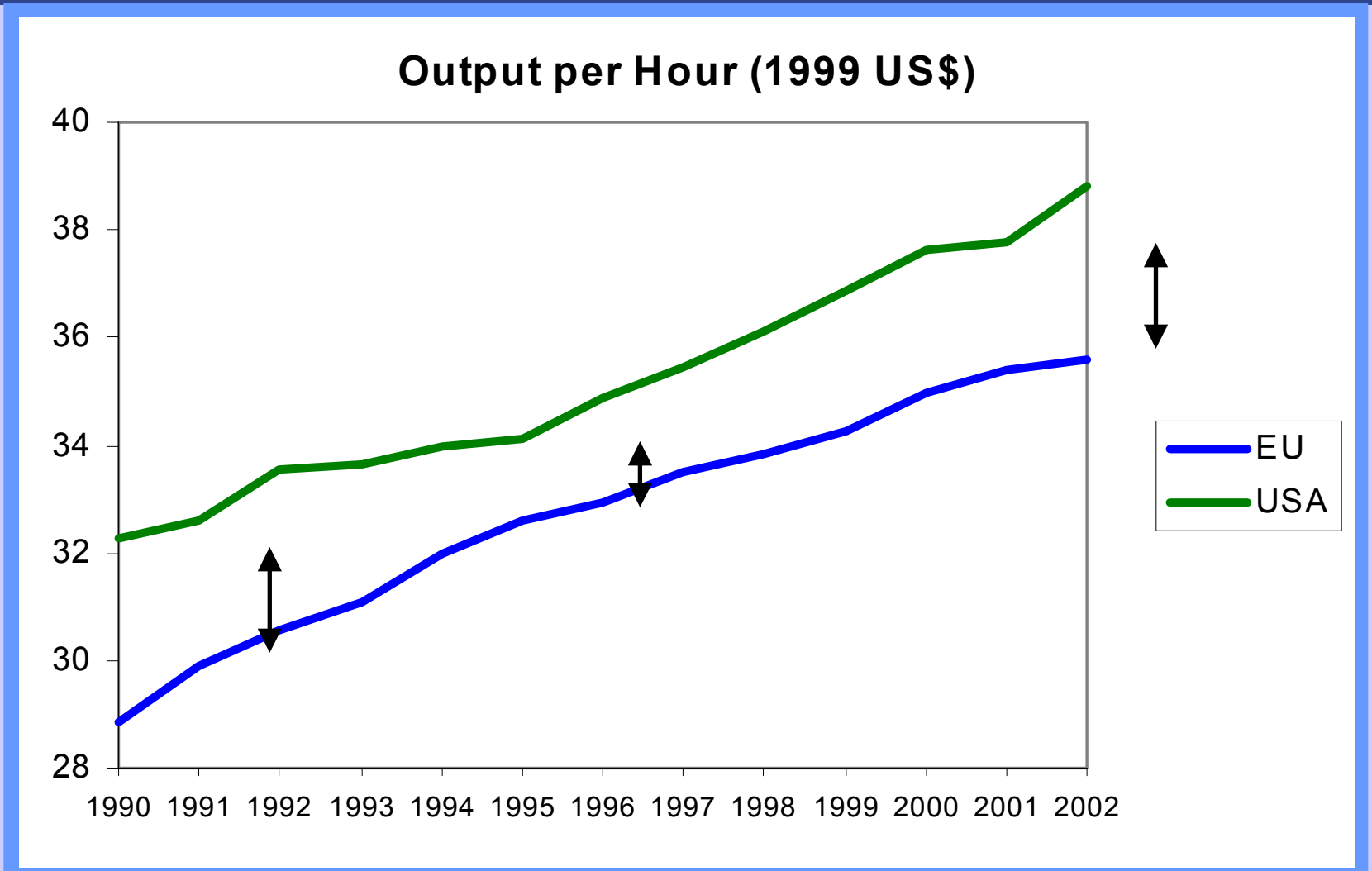
GDP annual growth rates



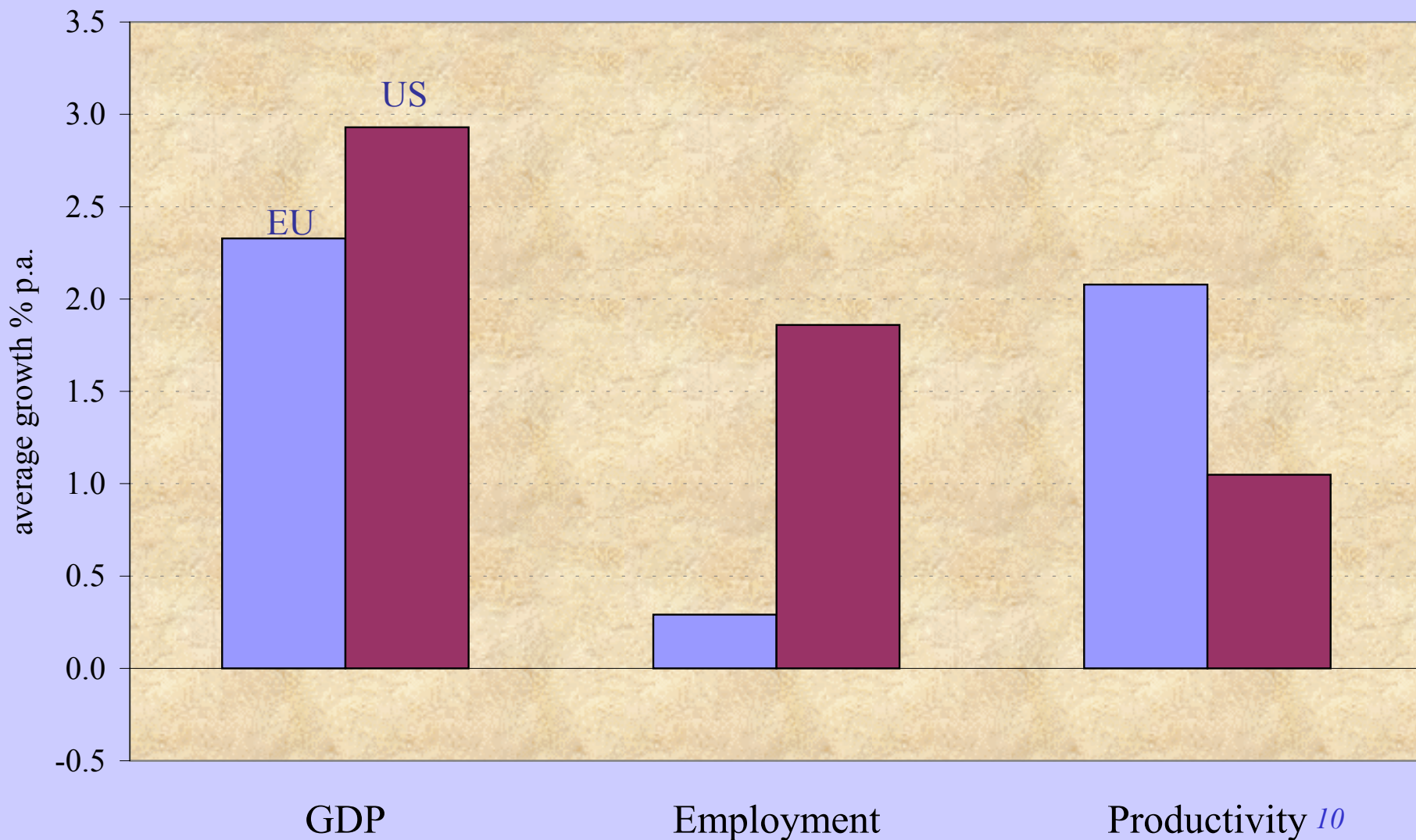
Decomposing Prosperity



Productivity EU versus US



1973-1995: high productivity, low employment growth in EU



Source: Eurostat. Productivity: GDP per employed person.

1996-2002: employment growth picks up, productivity slows down in EU



Source: Eurostat. Productivity: GDP per employed person.

... as well as across industries

Labour Productivity Growth for 12 Main Sector, EU and U.S., 1979-2001

	EU-15			US		
	1979-90	1990-95	1995-01	1979-90	1990-95	1995-01
Total Economy	2.2	2.3	1.7	1.4	1.1	2.3
Agriculture, Forestry and Fishing	5.2	4.8	3.3	6.4	1.7	9.1
Mining and quarrying	2.9	13.1	3.5	4.4	5.1	-0.2
Manufacturing	3.4	3.5	2.3	3.4	3.6	3.8
Electricity, gas and water supply	2.7	3.6	5.7	1.1	1.8	0.1
Construction	1.6	0.8	0.7	-0.8	0.4	-0.3
Distributive trades	1.3	1.9	1.0	1.8	1.5	5.1
Transport	2.8	3.8	2.3	3.9	2.2	2.6
Communications	5.2	6.2	8.9	1.4	2.4	6.9
Financial Services	2.2	1.0	2.8	-0.7	1.7	5.2
Business Services*	0.7	0.7	0.3	0.1	0.0	0.0
Other community, Social and Personal Services	-0.3	0.4	0.3	1.2	0.9	-0.4
Public Administration, Education and Health	0.6	1.1	0.8	-0.4	-0.8	-0.6

Heterogeneity across countries ...

Contribution of Individual Countries to EU-15 Labour Productivity Growth, 1979-2001

	1979-1990	1990-1995	1995-2001
Total economy			
Belgium	0.08	0.09	0.03
Denmark	0.04	0.05	0.02
Germany	0.59	0.68	0.22
Greece	0.01	0.02	0.05
Spain	0.18	0.15	0.22
France	0.40	0.27	0.22
Ireland	0.02	0.04	0.10
Italy	0.27	0.36	0.18
Luxembourg	0.01	0.01	0.01
Netherlands	0.14	0.13	0.11
Austria	0.07	0.09	0.04
Portugal	0.02	0.02	0.04
Finland	0.05	-0.01	0.04
Sweden	0.06	0.03	0.06
United Kingdom	0.31	0.38	0.39
EU-15	2.26	2.31	1.72
United States	1.26	1.10	2.25

The best performers are small countries

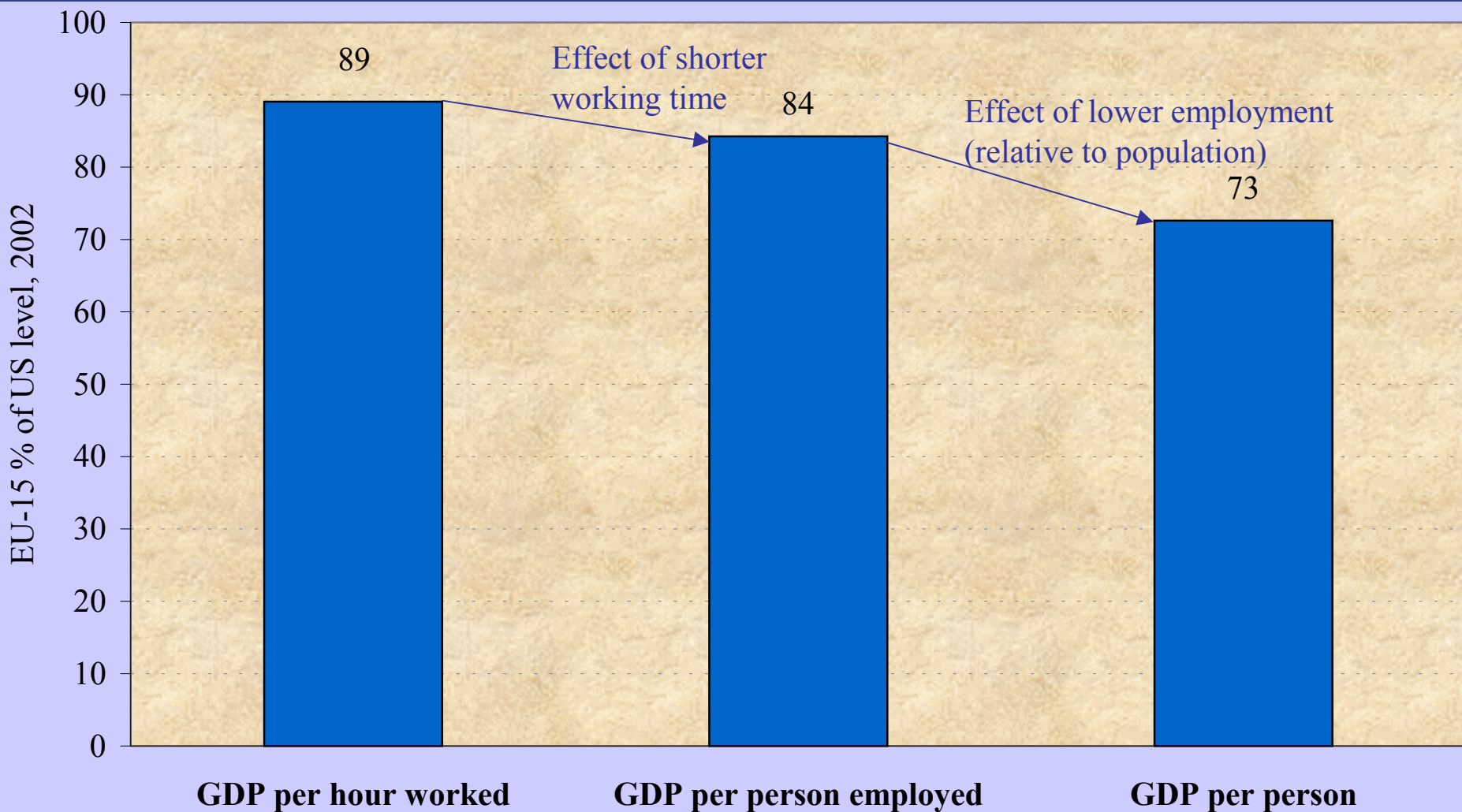
Employment and productivity, 1996-2002
(country performance relative to EU average, total economy)

Employment growth

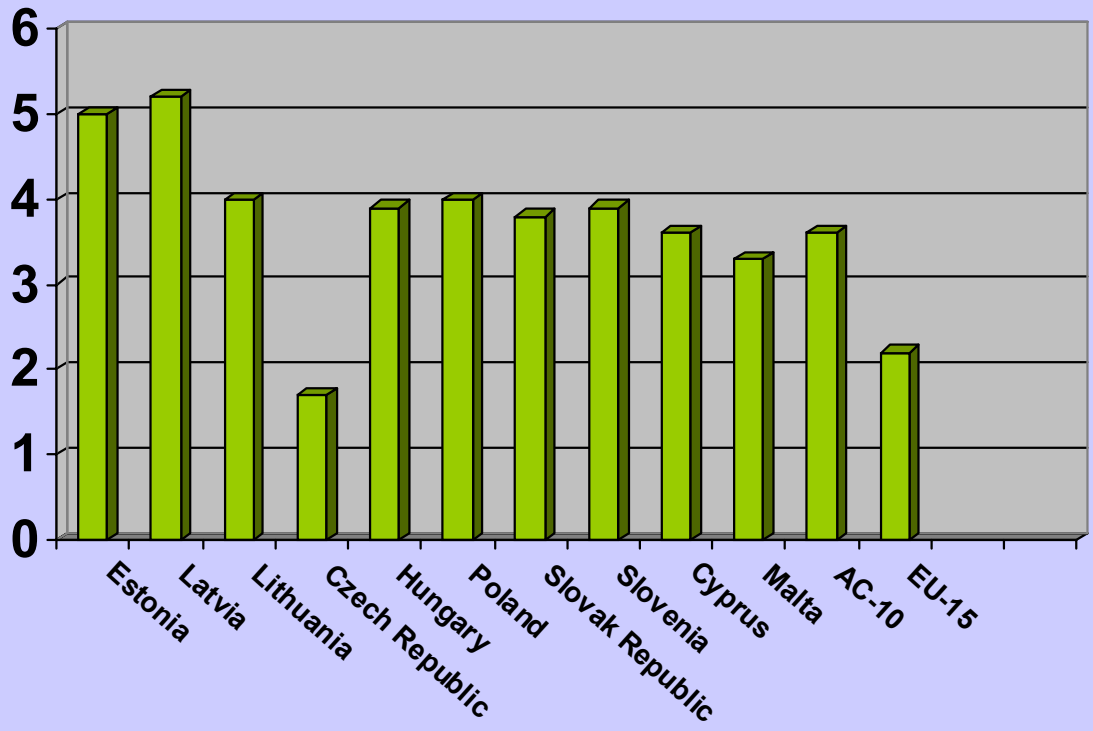
		Employment growth		
		less than average	average	more than average
Labour productivity growth	more than average	Greece	Portugal Sweden	Ireland Finland
	average	Austria Germany	Denmark UK Belgium France	Luxembourg
	less than average		Italy	Spain Netherlands

EU-US GDP gap: result of Europeans

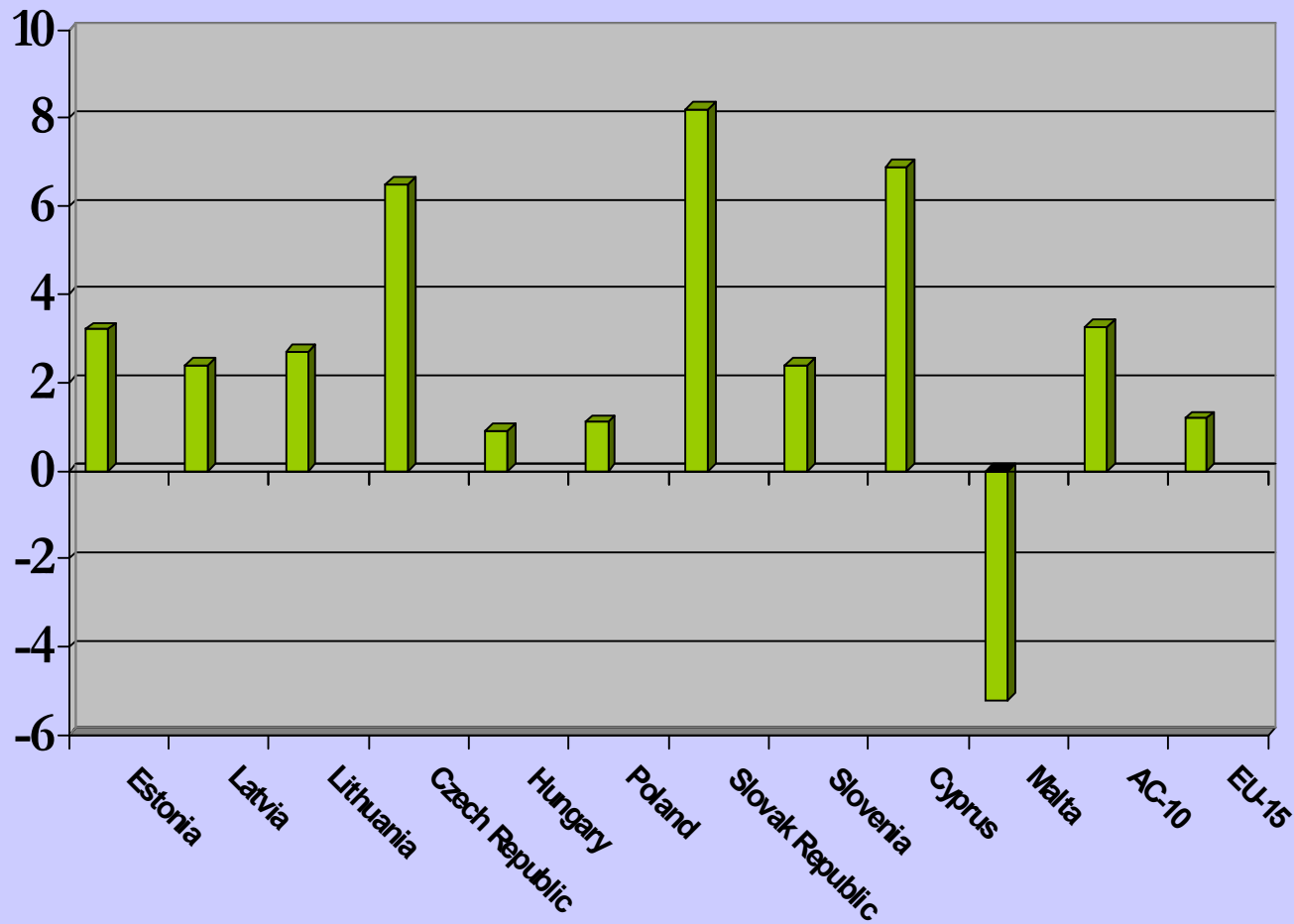
a) working less efficiently, and b) working less



New Member States: GDP growth in 1995-2002 % p.a.

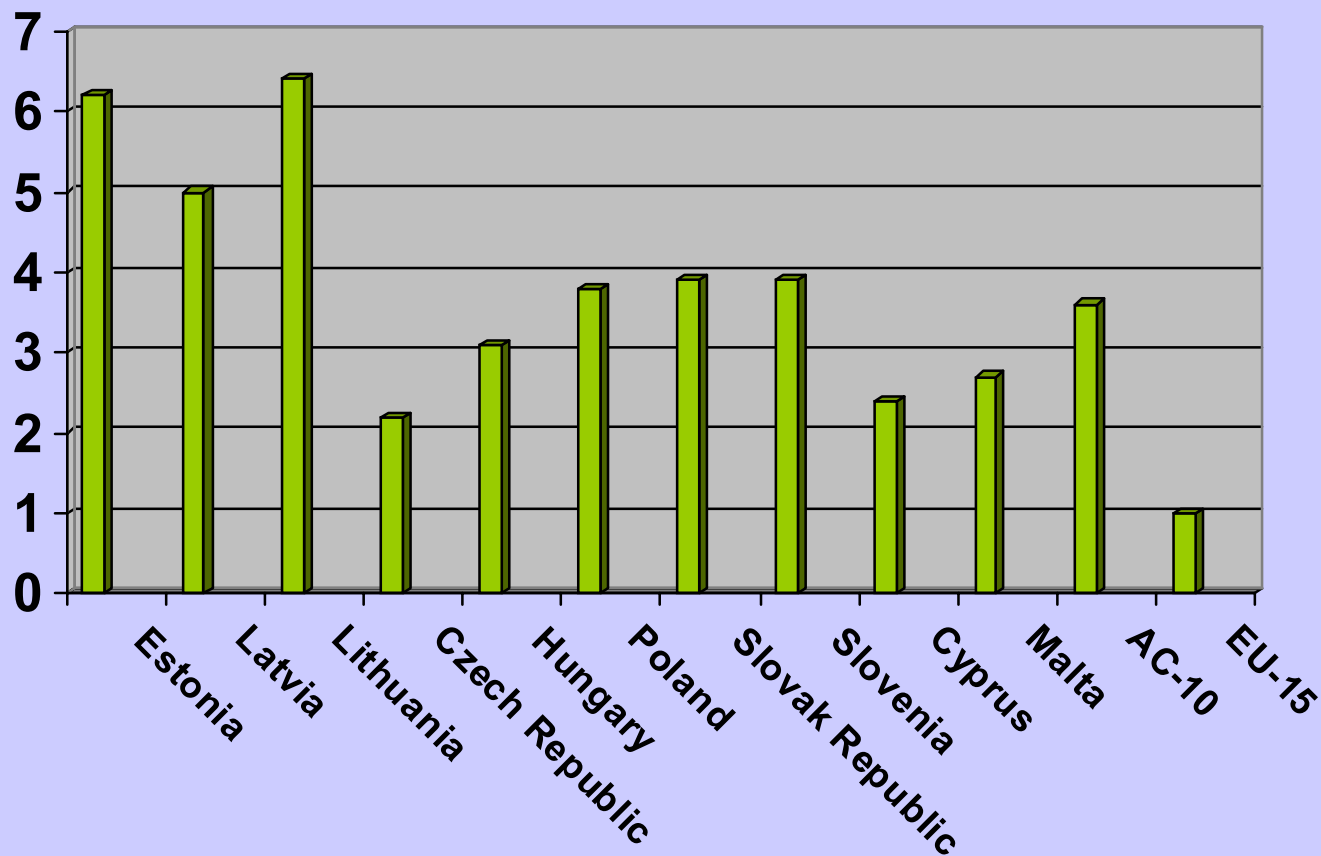


Foreign Direct Investment intensity – average value of inward and outward FDI divided by GDP (2002)

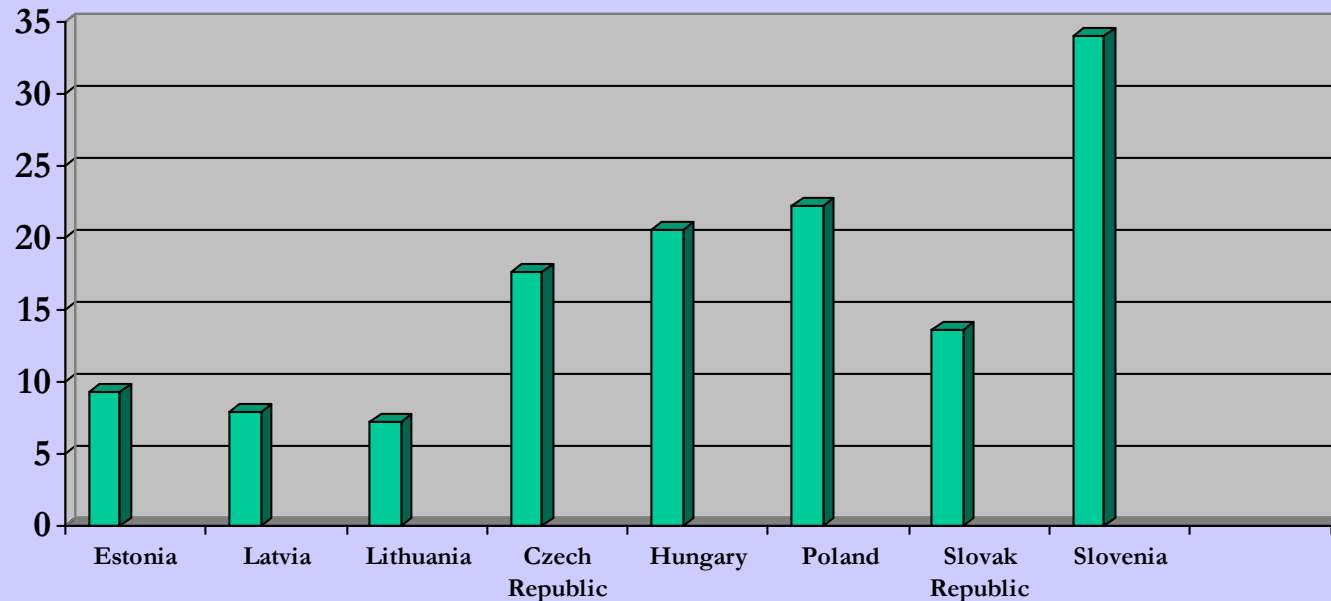


Source: EUROSTAT database, own calculations.

Labor productivity growth in 1995-2000 % p.a.

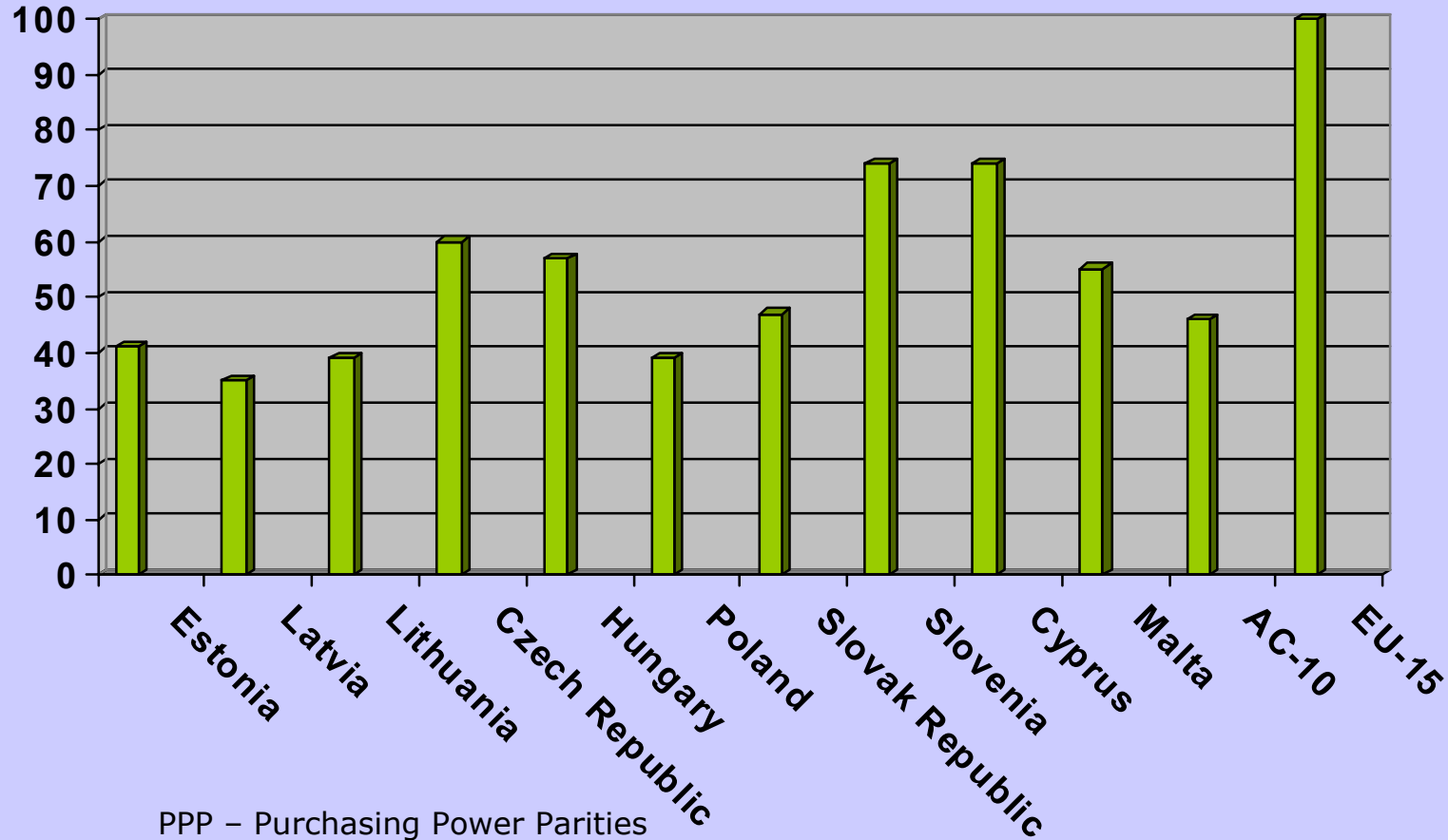


Average monthly labor costs per employee in manufacturing in 2001 - % of EU-15 level in 2000 using current exchange rates



Source: European competitiveness report 2003. 146 pp. (EN). Cat. No NB-AK-03-001-EN-C

GDP per capita (at PPP in 2001)



PPP – Purchasing Power Parities

Source: European competitiveness report 2003. 133 pp. (EN). Cat. No NB-AK-03-001-EN-C

General points on new Member States

- entrepreneurship high
- labour costs low
- high educational attainments
- low taxes
- Catching up on ICT

- High FDI
- Strong business investments
- High labour productivity growth
- High GDP growth

➤ **But:**

- Labour productivity low
- R&D low
- Employment rate relatively low
- GDP per head low

Spring report: Overall progress in Lisbon process since 2000

- ➔ Over **6 million jobs** have been created increasing the total employment rate from 62.5 % to 64.3 %. (Target 70 %)
- ➔ **Long term unemployment** has fallen from 4 % in 1999 to 3 % in 2003.
- ➔ **Key markets opened** (telecom, rail freight, postal service, electricity and gas, single European air space)
- ➔ Strong **IT take up** (particularly internet)
- ➔ **Sustainable development** (ageing, pensions reforms, environment).

Spring report: Main challenges ahead

- ➔ Ensuring macro economic stability
- ➔ Employment rate too low (older workers, women) – target 70 %
- ➔ Productivity too low (growth and level)
- ➔ Investments (R&D, HR) & IT
- ➔ Service sector (distributive trade, finance)
- ➔ Strategic measures (patent, recognition of qualifications, IPR, tax, etc.)
- ➔ EU financial framework

Policy Initiatives in DG Enterprise

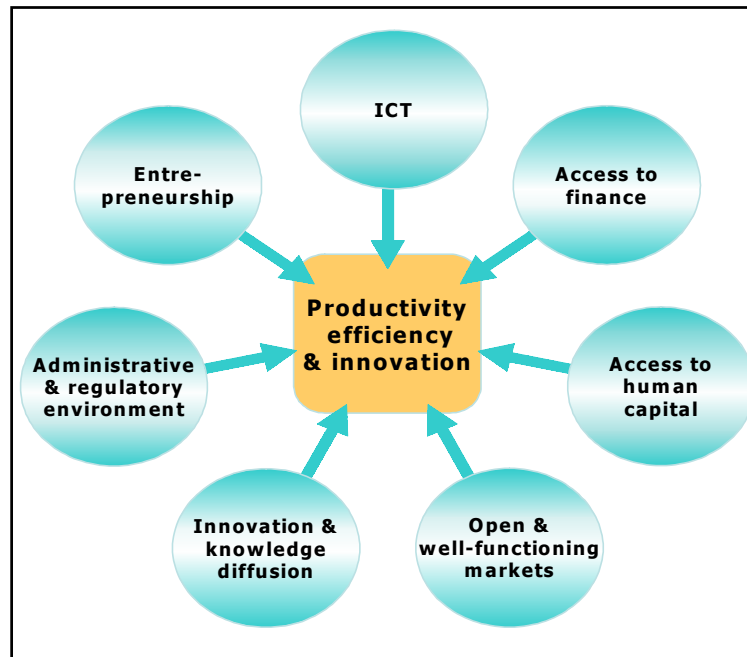
- ➔ **Benchmarking projects (aggregated & detailed)**
- ➔ **Scoreboards (Enterprise policy, Innovation)**
- ➔ **Quantitative Targets and peer reviews**
- ➔ **Action plan on Entrepreneurship (under implementation)**
- ➔ **Innovation Action plan**
- ➔ **European Charter for Small Enterprises**
- ➔ **Best projects**



Microeconomic environment

Macroeconomic conditions

- Price stability
- Stable interest rates
- Balanced public finances and taxation



Structural conditions

- Labour market
- Sustainable development
- Natural resources
- Infrastructure

*The
worlds
most dynamic
and competitive
knowledge-driven
economy 2010*

National Quantitative Targets

*Innovation & knowledge
diffusion*

Access to finance

*Access to new
technologies*

*Access to human
capital*

Entrepreneurship

functioning markets

Open and well

Regulatory environment

Policy Initiatives

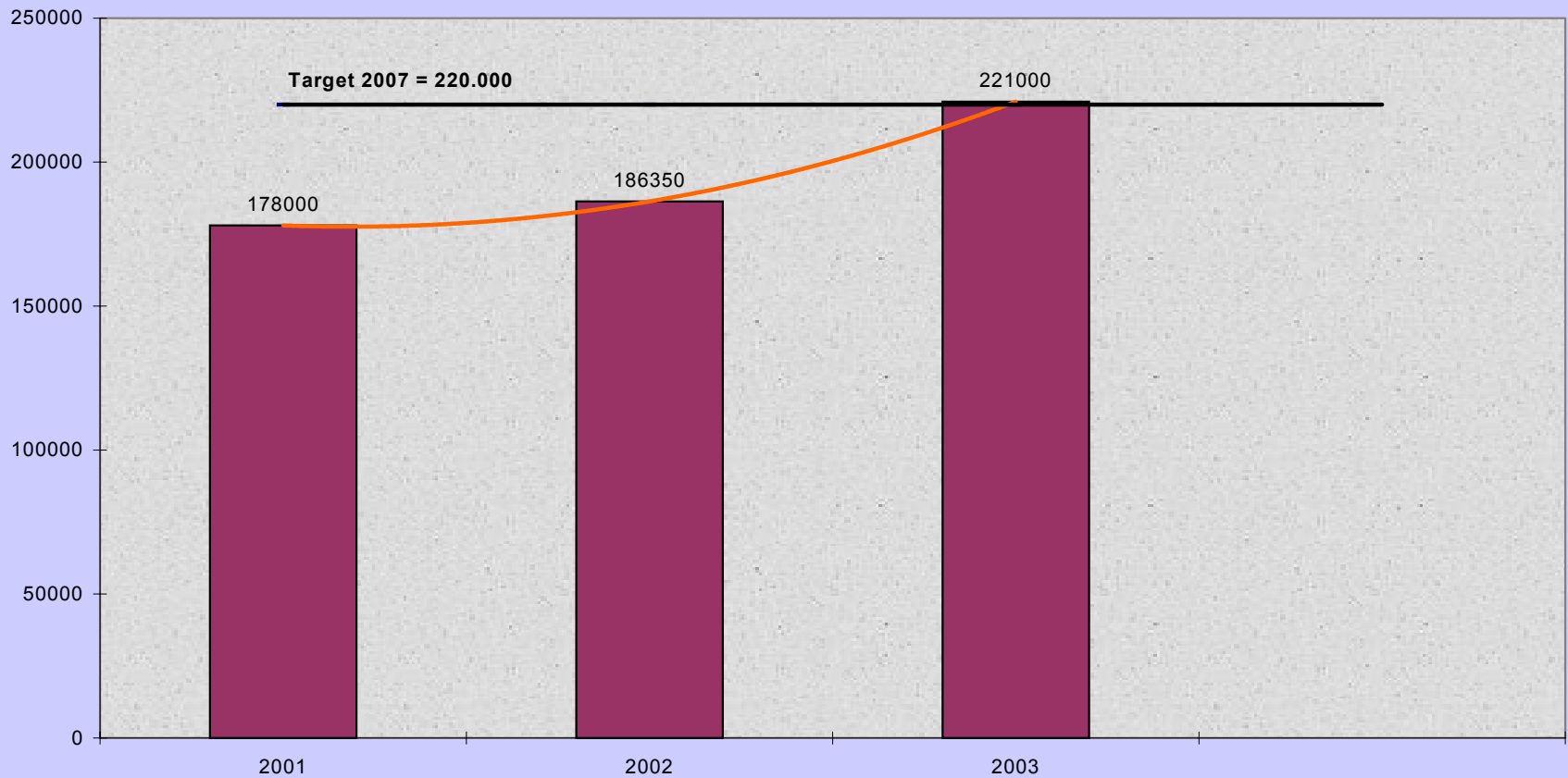
National quantitative targets

125 quantitative targets (benchmarks) on enterprise policy indicators have been announced by 21 European countries

- **Covering innovation, human resources, entrepreneurship, access to finance, ICT, open and well functioning markets, administrative and regulatory environment**
- **Presented in the annual Enterprise Policy Scoreboards**

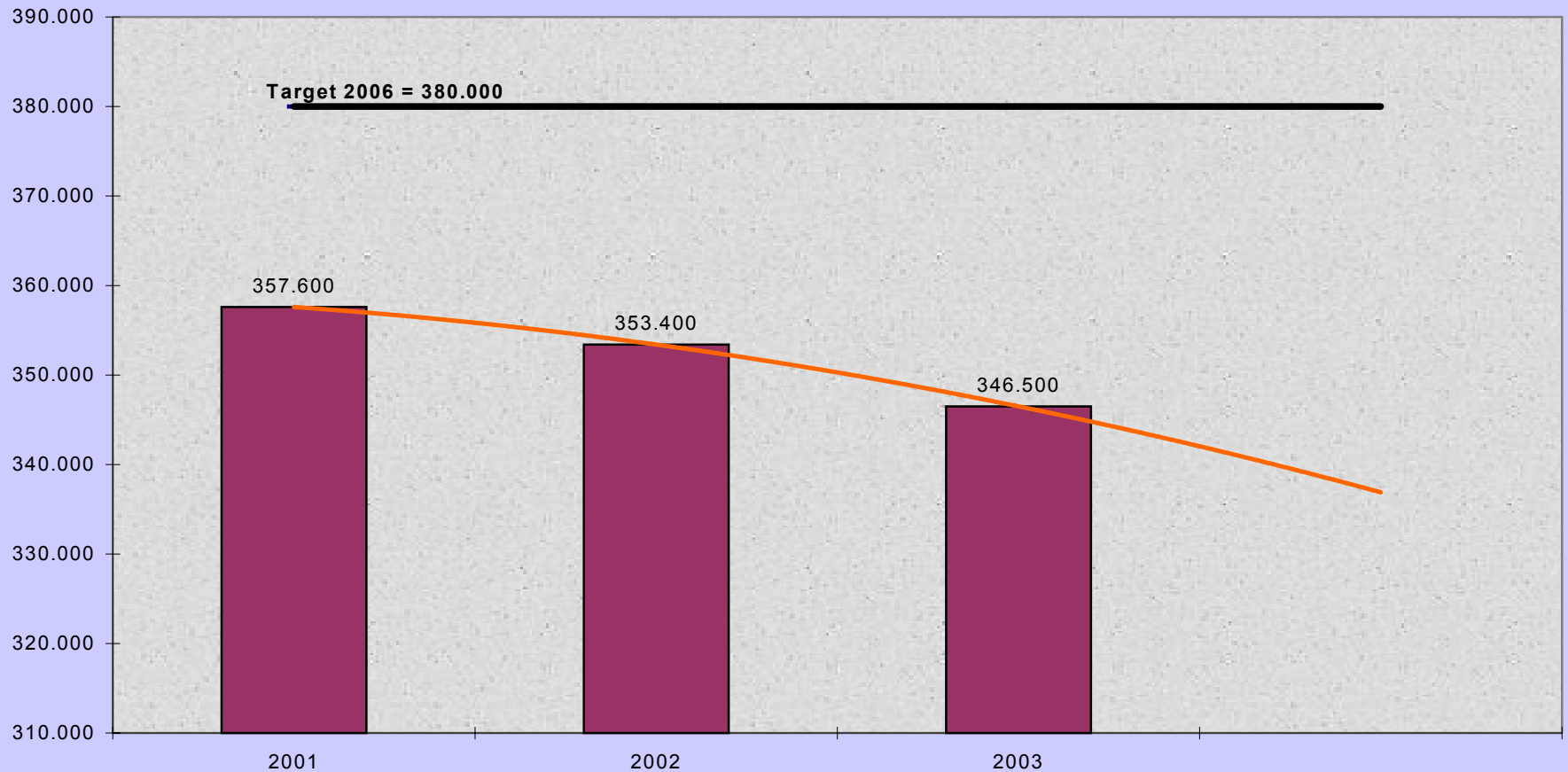
France: New enterprises created

France: Number of new enterprises created per year



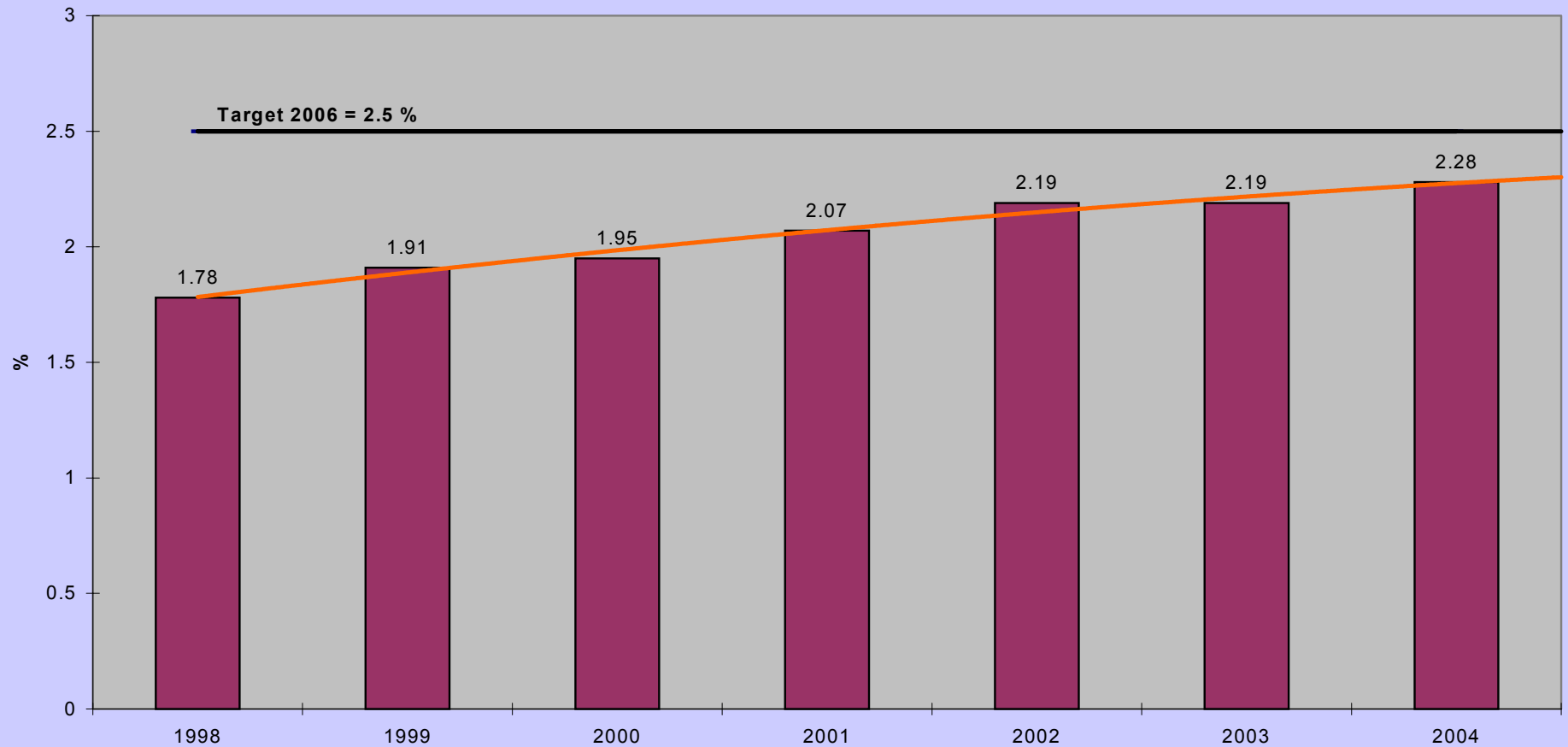
Sweden: Number of self-employed

Sweden: Number of self-employed people



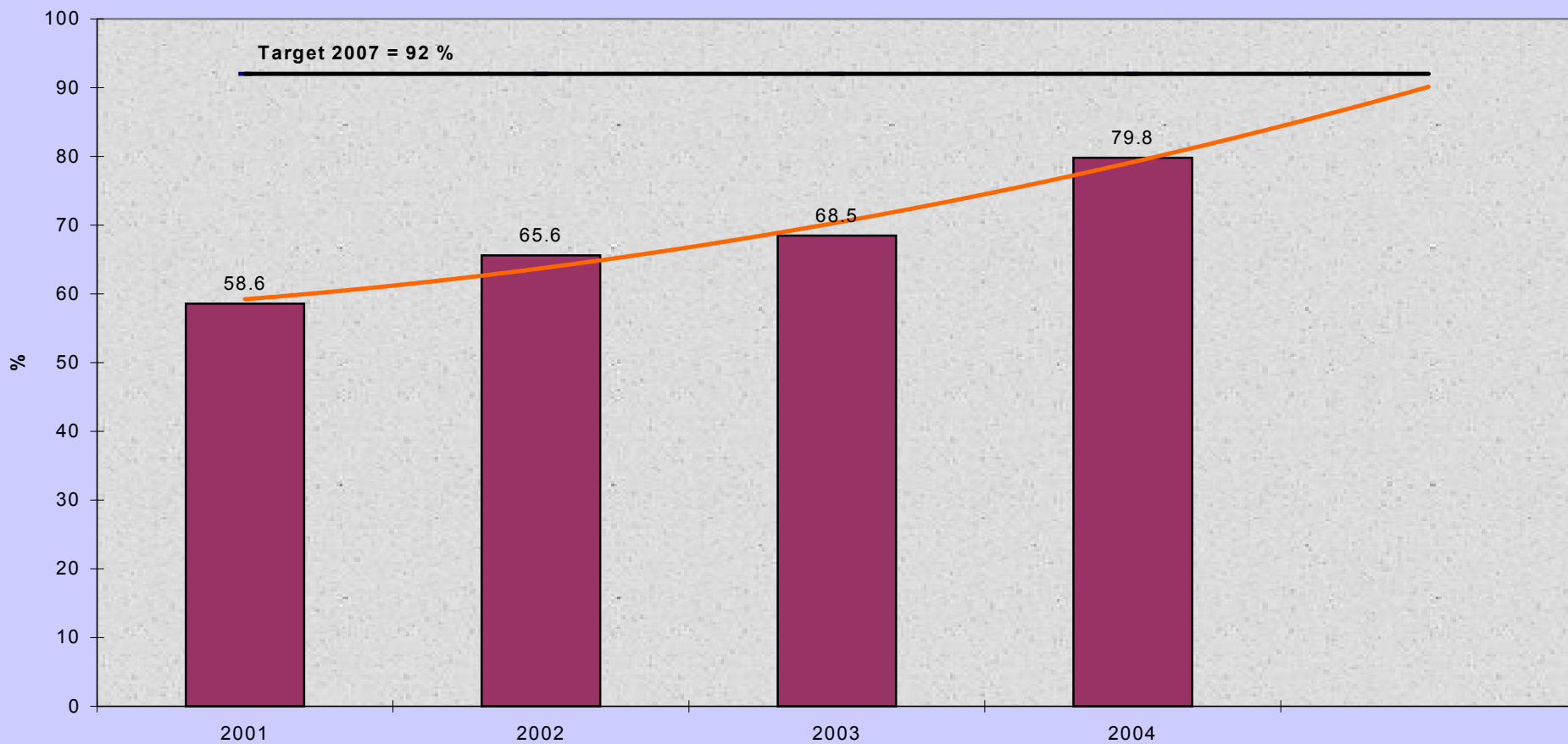
Austria: GERD % of GDP

Austria: GERD % of GDP



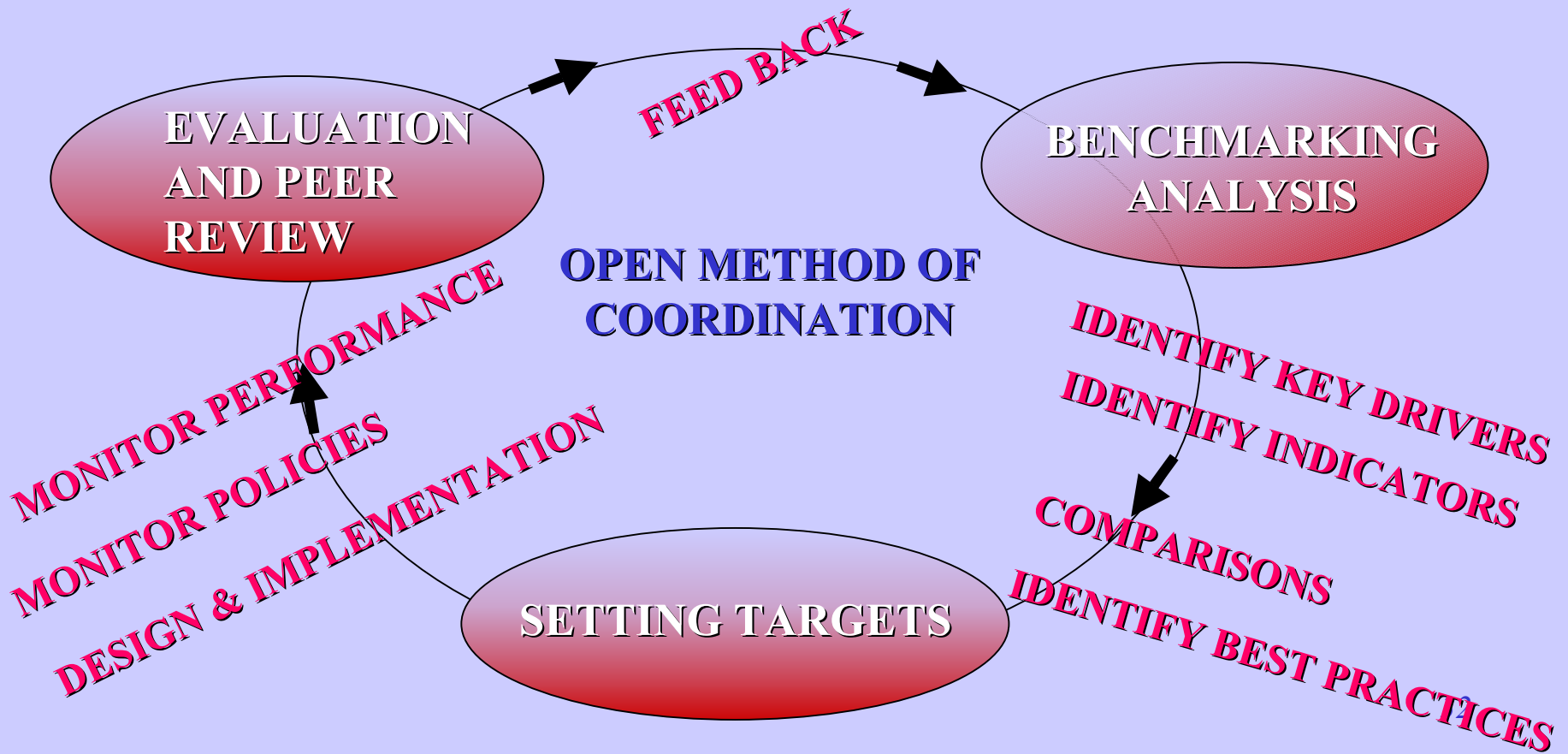
Lithuania: SMEs with Internet access

Lithuania: SMEs with access to Internet





BENCHMARKING & TARGETING



Kok report & mid term review

- ➡ **3 November, Kok report presented to the Commission**
- ➡ **4 November, First discussion by the European Council**
- ➡ **11 November, High Level Group meeting**
- ➡ **24 November, Enterprise Policy Group**
- ➡ **25-26 November, Competitiveness Council**
- ➡ **9 December, High Level Group meeting**
- ➡ **January 2005, Commission Report to the Council (Spring Report)**
- ➡ **7-8 March 2005, Competitiveness Council**
- ➡ **22-23 March 2005, Spring European Council – mid term review**

Mid term review...

- ➔ **Progress is inadequate**
- ➔ **More focused approach (growth & employment)**
- ➔ **Biannual National Action plans (and reviews thereof)**
- ➔ **More transparency of results and progress on fewer targets (fame, shame and blame)**
- ➔ **Better co-ordination (EU and national level)**
- ➔ **Budget revision and financial incentives for Member States**
- ➔ **Involve the European Parliament**
- ➔ **Communication reform**
- ➔ **New Commission: More leadership and commitment**

Reference documents & links

- ➔ http://europa.eu.int/comm/lisbon_strategy/pdf/2004-1866-EN-complet.pdf
- ➔ **EU Productivity and competitiveness: an industry perspective (ed. O'Mahony & Van Ark), Commission 2003**
- ➔ **Spring Reports**
- ➔ **Competitiveness Report 2004**
- ➔ **Enterprise Policy Scoreboard 2004**
- ➔ **Innovation Scoreboard 2004**
- ➔ **Pocket book of Enterprise Policy Indicators 2004**
- ➔ **Observatory of European SMEs**
- ➔ http://europa.eu.int/comm/enterprise/enterprise_policy/index.htm



European Commission

Thank you!

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