The Lisbon Process

- Benchmarking for Competitiveness in the European Union

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European Commission, DG Enterprise

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

Warsaw Conference, 8 November 2004
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
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

- EU 25
- Germany
- Ireland
- Poland
- United States
Decomposing Prosperity

Prosperity

Labor Productivity
- Capital Intensity
- Skills
- TFP

Labor Participation
- Unemployment
- Workforce/Population
- Hours/Employee
Productivity EU versus US

Output per Hour (1999 US$)

- EU
- USA

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.

<table>
<thead>
<tr>
<th>Sector</th>
<th>EU-15</th>
<th>US</th>
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<tbody>
<tr>
<td>Total Economy</td>
<td>2.2</td>
<td>2.3</td>
</tr>
<tr>
<td>Agriculture, Forestry and Fishing</td>
<td>5.2</td>
<td>4.8</td>
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<tr>
<td>Mining and quarrying</td>
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<td>13.1</td>
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<td>3.5</td>
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<td>Business Services*</td>
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<td>Other community, Social and Personal Services</td>
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<tr>
<td>Public Administration, Education and Health</td>
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<td>1.1</td>
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</table>
Heterogeneity across countries...

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

<table>
<thead>
<tr>
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<td><strong>Total economy</strong></td>
<td>0.08</td>
<td>0.09</td>
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<tr>
<td>Belgium</td>
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<td>0.05</td>
<td>0.02</td>
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<tr>
<td>Germany</td>
<td>0.59</td>
<td><strong>0.68</strong></td>
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<td>0.02</td>
<td>0.05</td>
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<td>France</td>
<td><strong>0.40</strong></td>
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<td>Ireland</td>
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<td>0.10</td>
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<td>Italy</td>
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<td>0.13</td>
<td>0.11</td>
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<td>0.07</td>
<td>0.09</td>
<td>0.04</td>
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<tr>
<td>Portugal</td>
<td>0.02</td>
<td>0.02</td>
<td>0.04</td>
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<tr>
<td>Finland</td>
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<td>-0.01</td>
<td>0.04</td>
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<tr>
<td>Sweden</td>
<td>0.06</td>
<td>0.03</td>
<td>0.06</td>
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<td>United Kingdom</td>
<td>0.31</td>
<td>0.38</td>
<td>0.39</td>
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<td><strong>EU-15</strong></td>
<td>2.26</td>
<td>2.31</td>
<td>1.72</td>
</tr>
<tr>
<td><strong>United States</strong></td>
<td>1.26</td>
<td>1.10</td>
<td>2.25</td>
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</table>
The best performers are small countries

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

<table>
<thead>
<tr>
<th>Labour productivity growth</th>
<th>Employment growth</th>
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<tbody>
<tr>
<td>more than average</td>
<td>Greece</td>
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<tr>
<td></td>
<td>Portugal</td>
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<tr>
<td></td>
<td>Sweden</td>
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<tr>
<td>average</td>
<td>Austria</td>
</tr>
<tr>
<td></td>
<td>Germany</td>
</tr>
<tr>
<td></td>
<td>Denmark</td>
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<td></td>
<td>UK</td>
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<tr>
<td></td>
<td>Belgium</td>
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<tr>
<td></td>
<td>France</td>
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<tr>
<td>less than average</td>
<td>Italy</td>
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<tr>
<td></td>
<td>Spain</td>
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<tr>
<td></td>
<td>Netherlands</td>
</tr>
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</table>

Source: Eurostat.
EU-US GDP gap: result of Europeans
a) working less efficiently, and b) working less

Data source: Eurostat, Structural Indicators (update of 11.7.2003). GDP in PPS.

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

Source: EUROSTAT database, own calculations.

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

GDP per capita (at PPP in 2001)

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

Productivity efficiency & innovation

ICT
Entrepreneurship
Administrative & regulatory environment
Innovation & knowledge diffusion
Open & well-functioning markets
Access to human capital
Access to finance

Macroeconomic conditions

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

Structural conditions

- Labour market
- Sustainable development
- Natural resources
- Infrastructure
The world's most dynamic and competitive knowledge-driven economy 2010

Regulatory environment
Open and well-functioning markets
Entrepreneurship
Innovation & knowledge diffusion
Access to finance
Access to new technologies
Access to human capital
Entrepreneurship
Open and well-functioning markets
Regulatory environment

National Quantitative Targets

Policy Initiatives
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

Target 2007 = 220,000
Sweden: Number of self-employed

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Self-Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>357,600</td>
</tr>
<tr>
<td>2002</td>
<td>353,400</td>
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<tr>
<td>2003</td>
<td>346,500</td>
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</tbody>
</table>

Target 2006 = 380,000
Austria: GERD % of GDP

Target 2006 = 2.5 %

<table>
<thead>
<tr>
<th>Year</th>
<th>GERD % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>1.78</td>
</tr>
<tr>
<td>1999</td>
<td>1.91</td>
</tr>
<tr>
<td>2000</td>
<td>1.95</td>
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<tr>
<td>2001</td>
<td>2.07</td>
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<tr>
<td>2002</td>
<td>2.19</td>
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<tr>
<td>2003</td>
<td>2.19</td>
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<tr>
<td>2004</td>
<td>2.28</td>
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</tbody>
</table>
Lithuania: SMEs with Internet access

Lithuania: SMEs with access to Internet

Target 2007 = 92%
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

- Spring Reports
- Competitiveness Report 2004
- Enterprise Policy Scoreboard 2004
- Innovation Scoreboard 2004
- Pocket book of Enterprise Policy Indicators 2004
- Observatory of European SMEs
Thank you!

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