REGIONAL PROGRESS OF THE LISBON STRATEGY OBJECTIVES IN THE EUROPEAN REGION

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ABSTRACT

The conference held in Lisbon in March 2000 set as a target to make the EU the most competitive and most dynamically growing region of the world. My aim was to analyse the correlation between education and the labour market features in each country, and based on these correlations to investigate how the situation of each country, region and units evolved. Not only with EU-states were dealt with in the analysis, but also with candidate countries. The analysis contained statistic methods.
Keywords: Lisbon strategy, mobility factor, education-employment factor, human resources.

INTRODUCTION

In March 2000 in Lisbon the EU set the strategic goal of becoming by the end of this decade „the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion" (*European Parliament*, 2000). This is called the Lisbon strategy. The objectives of the strategy included, among others, an increase in employment rates, a raise in R&D expenditure and an increase in the number of people with secondary education and those involved in lifelong learning. The goals should have been achieved by 2010. Back in 2003 the Employment Task Force (set up by the European Council and authorized to make concrete recommendations for the member states), led by *Kok* (2003), recognized *the current risks endangering the European Union's rather ambitious goal set in Lisbon.* In recognition of the insufficient speed, the multitude of tasks, the lack of coordination and the conflict of priorities, the European Commission, which was reestablished in 2004, decided to give renewed dynamics to the process. As of 2 February 2005, the European Commission proposed a new start for the Lisbon strategy specifying, in particular, two main tasks for the European Union: realizing a stronger and more permanent growth and creating more and better jobs. „Time to move up a gear", said Commission President Barroso at the time of presenting the Annual Progress Report on *Growth and Jobs* 2006 (*European Commission*, 2006). The implementation of the Lisbon strategy has been strongly criticized. Theoretical plans, indexes and other abstract terms still dominate the debates, while in many areas there is barely any political will for a straightforward achievement of the specific objectives through taking the necessary actions, developing clear-cut objectives and setting verifiable deadlines. It is particularly important to have in place the exact

procedures for follow-up and assessment. In order to facilitate the realization of the above quote, the *Kok* (2003) report specified four requirements:

- increasing the adaptability of workers and enterprises;
- attracting more people to the labor market;
- investing more and more effectively in human capital;
- ensuring effective implementation of reforms through better governance.

This paper studies the first three requirements of the *Kok* (2003) report that is the human resource characteristics. Despite the ongoing discussion about indexes, eight variables have chosen for study. These are as follows: employment rate of the 25-64 age group (target: 2010 - 70%), lifelong learning rate (target: 2010 - 12.5%), unemployment rates, economic activity rate, ratio of education expenditure to GDP, ratio of R&D expenditure to GDP (target: 2010 - 3%>, two-thirds of which are financed by business organizations) and student mobility (share of students learning in other EEA member states). The purpose was to examine the relationship between the characteristics of education and labor market and to see, based on such relationship, the situation of each unit and the European Union. The analysis contained not only the EU member states but also the candidate countries, the EEA member states, the EU15 and the EU25 as a single entity. The performance data of the various countries and entities for 2002, 2003 and 2004 were taken from the Eurostat web portal (*http://epp.eurostat.cec.eu.int/*).

MATERIALS AND METHODS

The analysis was performed with the SPSS 13.0 for Windows statistical software, from which the main component (factor) and the hierarchical cluster analyses were used. The statistical software was ideal for highlighting certain relations that would otherwise remain hidden. The various matrixes were helpful in the identification of relations and interrelations, whereby the common main component (factor) variables and the background variables also became available. In turn, the factors were used to describe and group each country and unit, which was followed by reading and drawing the conclusions.

RESULTS AND DISCUSSION

It is clear from the descriptive statistics that there are many different kinds of relations between the characteristics and that it may be possible to identify such background variables that are closely correlated with a group of the original characteristics, which means that there is also a strong correlation between the original characteristics. The number of indexes was decreased through factor analysis i.e. through data reduction. Those factors can be considered significant that have an *eigenvalue above the mean value* i.e. above one. In this case the first two main components were proved to be significant. Accordingly, the first and the second accounted for 51.27% and 24.92% of the variance of the observation variables, respectively. The first two main component variables accounted for 76.19% of the total variance, which was considered acceptable.

It is clear from the analysis that the first main component showed significant correlation with such variables as lifelong learning rate, economic activity rate, employment rate, ratio of education expenditure to GDP and ratio of R&D expenditure to GDP, respectively. There was a positive correlation between these characteristics. In other words, if the lifelong learning rate was high then the economic activity rate, the employment rate, the ratio of education expenditure to GDP and the ratio of R&D expenditure to GDP would also be high. This factor was named as education-employment factor. The value of the second main component was determined substantially by such variables as unemployment rate, long-term unemployment rate and student mobility, the former ones having a bigger weight. Here the sign of the first two variables was different from that of the third one. It means that if the unemployment rates rose then student mobility would be low at the various education institutions in the EU, candidate countries and EEA member states. This correlation was true also for the opposite case. (Although, in reality, there is no direct connection between the two variables.) This is the mobility factor, representing both sectoral and geographical mobility (*Figure 1*).

The x-axis of the coordinate system represents the factor with the highest explanatory percentage. Accordingly, just like in the case of each factor in the analysis, the sign is very important here. The positive region of the axis is for those countries where lifelong learning rate, economic activity rate, employment rate, ratio of education expenditure to GDP and ratio of R&D expenditure to GDP have a great importance. The opposite (negative) region of the axis represents such human resource structures where the importance of the above variables is lower.

The y-axis of the coordinate system is used for the countries determined by the mobility (second) factor. The positive region of the axis indicates a high unemployment rate, while the negative region represents a component of negative sign within the factor, which means the overweight of student mobility in this case.

Figure 1

Human resource characteristics in the European area

Education-employmenti factor
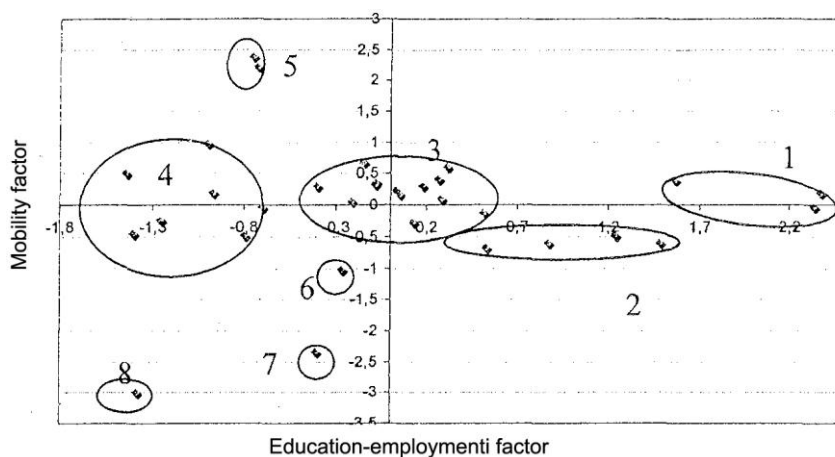
Through cluster analysis (using the hierarchical and centroid methods), it was possible to separate eight distinct groups in the coordinate system (*Table 1*):

1. the Scandinavian group on the right-hand side (the entire Nordic Council except for Iceland and Norway): Sweden, Denmark and Finland;
2. an entity made up by the United Kingdom, the Netherlands, Austria and Norway;
3. central countries and country groups: Portugal, Spain, France, Germany, EU15, EUR012, EU25, Belgium, Czech Republic, Slovenia, Estonia, Latvia and Lithuania;
4. a group made up by Italy, Hungary, Croatia, Romania, Bulgaria, Greece and Malta;
5. Poland and Slovakia;
6. Ireland;
7. Cyprus;
8. Luxembourg.

In the best performing first group Sweden had the best (analyzed) human resource characteristics, including an outstandingly high employment rate (72.1%) and lifelong learning rate (over 37%, which made it first among the analyzed countries). In addition, it was the leader regarding almost all positive indexes. Sweden had the lowest long-term unemployment rate, although the unemployment rate was not the best (but it was still well below the EU average). Denmark had similar characteristics: the ratio of education expenditure to GDP and the economic activity rate were the highest here. Finland's shift was the result of its unemployment rate equaling with that of the EU25 average. The extremely high R&D expenditures brought Finland to second place in Europe. As to R&D expenditures financed by business organizations, only Denmark fell (slightly) behind the required 2/3 level. *In the second group* the employment rate varied between 67.8% and 75.1%. As to the lifelong learning rate, the United Kingdom was the best with over 33% and Austria was the worst with 12.5%. The long-term unemployment rate was very low and the economic activity rate was still above 70%. As to R&D expenditures, Norway had the lowest rate, followed by the Netherlands, the United Kingdom and Austria. In the Netherlands more than half of the R&D expenditures were financed by the business sector, while the three other countries were below that level. The unemployment rate was below 5% in the entire group. As to student mobility, Austria and Norway were the leaders in this group. The lowest rate (0.6‰) belonged to the United Kingdom. *The next group* was made up by units having around the average values. There were several entities here that represented the average: EU25, EU15, EU12. There was not much difference as to their location. However, there still must be some kind of difference, given that the new (2004) entrants deteriorated almost all indexes in comparison with the EU15 average. There was no difference between the two averages as to education expenditures and student mobility. It is interesting to see that, from among the new entrants, not only Slovenia and the Czech Republic but also the three Baltic states i.e. Estonia, Latvia and Lithuania were also here (in close proximity). The countries shifting towards positive direction from the education-employment factor included the old member states and, as a surprise, Slovenia.

Table 1

Other important data about the countries under the analyze (2005)

	GDP per capita (PPP) 100=EU25	Real GDP growth rate (5 year average)	Total investment/GDP	Population (million)
Cluster 1				
Se	115	2.2	17.0	9.0
Dk	124	1.4	20.7	5.4
Fi	113	2.5	18.8	5.2
Cluster 2				
No	165	2.1	18.7	4.6
Nl	123	0.9	19.5	16.3
At	123	1.4	20.5	8.2
Uk	117	2.5	16.8	60.0
Cluster 3				
Pt	71	0.7	21.6	10.5
Es	99	3.1	29.4	43.0
Fr	109	1.5	19.7	62.4
Eu25	100	1.7	19.9	461.3
Eu15	108	1.6	19.8	387.2
Be	118	1.4	19.9	104.4
Cz	73	3.6	26.4	10.2
De	110	0.7	17.1	82.5
Si	80	3.	24.8	2.0
Ee	57	7.6	9.1	1.3
Lv	47	8.1	29.9	2.3
Lt	52	7.6	22.3	3.4
Cluster 4				
It	103	0.6	20.6	58.5
Hu	61	4.2	23.2	10.1
Bg	32	4.9	23.8	7.8
Hr	49	4.7	29.3	4.4
Ro	35	4.7	23.1	21.7
Gr	82	4.4	23.7	1.0
Mt	69	-0.6	20.7	0.4
Cluster 5				
Pl	50	3.0	18.1	38.2
Sk	55	4.6	26.0	5.4
Cluster 6				
Ie	137	5.2	27.0	4.1
Cluster 7				
Cy	83	3.2	19.2	0.7
Cluster 8				
Lu	247	3.3	20.3	0.5

The negative field included not only the new entrants but also Spain. The positive trend was mostly due to the high lifelong learning rates (Slovenia had almost the double of the EU rate) and to the higher employment rates, while the negative trend was caused by the low level of the same variables. The unemployment rate was the highest in Spain and the long-term unemployment rate was the highest in Lithuania. The student mobility varied around the mean value. As to R&D expenditures, only Germany approached the desired level of 3%. *The fourth group* consisted of Italy, Hungary, Croatia, Romania, Bulgaria, Greece and Malta. These countries also approached the average. As to lifelong learning, the rates varied between 1.4% (Bulgaria) and 7.2% (Italy). The general problem in the group was the very low employment rate (no country in the group reached 60%) and the relatively low economic activity rate. As to R&D expenditures, only two countries exceeded 1% (Italy and Croatia)! Malta had the lowest rate (0.28%). It should be noted that the so-called black economy had a great importance in Greece, Hungary and Italy, accounting for an amount equaling some 16-20% of the Gross Domestic Product. *The fifth distinct group* included two Visegrád countries: Poland and Slovakia. Actually, these two countries would have belonged to the fourth group if the unemployment rates did not exceeded (over 18%) the double of the EU25 average. Poland had the lowest employment rate (only slightly more than half of the economically active population was employed) but the long-term unemployment rate was the highest in Slovakia. Black employment was significant there, too, accounting for an amount equaling some 13-15% of the GDP. The R&D expenditures barely exceeded 0.5% of the GDP.

There was only one country in each of the next two clusters: Ireland and Cyprus. Both would have belonged to the central cluster but in Ireland the student mobility caused the separation. The same was true for Cyprus, where the share of students learning in other EEA countries exceeded 50%. The cause may be found, in part, in the divided nature of the island. The economic activity rate in Cyprus (72.6%) exceeded the EU15 figure (70.6%). Cyprus had the second lowest R&D expenditures after Malta. The last cluster included Luxembourg. The Grand Duchy would have belonged to the fourth cluster if its student mobility were not so high (66.7%). A part of the students learn in Belgium, which is the country's economic union partner. The long-term unemployment rate was extremely low (1.1%). In fact, it was the second lowest value among the analyzed countries.

As the production and creation activities of societies i.e. human resources never cease to stop, let us examine some dimensions of the economy and production. As it is clear from *Table 1* above, the countries with high economic performance were not necessarily the same as the countries with high human resources. The first two clusters that were the best in human competitiveness were also the best in their economic performance. The analysis of cluster 3, accounting for almost 70% of the EU, showed a differentiated picture: the GDP per capita varied between 47 and 118% of the EU average. Actually, the lower the GDP, the higher the growth potential and investment rate. The same pattern was valid for the Visegrád countries. According to currently available data, Ireland had both high GDP and high growth potential, a sign for economic competitiveness. Apart from having a

high GDP, Luxembourg also had a satisfactory growth rate in comparison with the other old member states. Although the above indicators represented only a slice of the economic characteristics, yet these were the main indicators of competitiveness. Though they related to this study, but basically they served only as supplementary information.

CONCLUSIONS

As it is clear from the foregoing, the countries/country groups analyzed by education, R&D and labor market characteristics showed a rather mixed picture. There was a lot more work to do at community, regional and national levels. This was true not only for the member states but also for the candidate countries. Cluster 1 and Cluster 2 proceeded well on the road towards achieving the objectives of more and better jobs, full employment and social cohesion. These were open countries and most of them did not hinder the free flow of persons regarding the citizens of the new member states. As to competitiveness, these countries were among the best not only in Europe but also in the world. The best example for using synergies was the Scandinavian cooperation in the form of the Nordic Council (Cluster 1). Within this regional partnership arrangement (which even has its own parliament and budget) the member states cooperate in more than 25 topics, covering also the employment-education fields. The difference from the average was not so great in the case of education financing but it was rather substantial in R&D support. The new member states, the cohesion countries and the candidate countries must significantly increase the current level and encourage the business sector through enter-prise-friendly policies in order for the support from the business sector to reach the desired 2/3 level. The resulting impacts will be visible also in the correlation between employment, unemployment, economic activity and long-term unemployment. It is a particularly important issue in Poland, Malta, Italy, Hungary and Greece. It should be acknowledged that the progress is rather difficult with regard to community-level arrangements. It is enough to mention the progress of the strategy during the first five years, or the fact that the European Commission to give new dynamics to it in 2005. The process is progressing well at the level of resolutions. Although the member states have prepared their national programs, they contain rather heterogeneous issues and targets. Considering only the R&D expenditures and the relevant target deadlines, the various countries wished to reach the following rates by 2010: Malta 0.75%, Cyprus 1.0%, Greece 1.5%, Poland 1.65%, Slovakia and Hungary 1.8%. Ireland and the United Kingdom set 2013-2014 as a deadline for reaching the desired rates. As a next step, the European Commission will urge the prime ministers and heads of state to make the necessary commitments within the framework of the European Council and will provide support for each member state. What is more, the Commission would use the Cohesion Fund, together with other EU tools, to finance the objectives of growth and employment. However, the support of the European Council and Parliament will also be required for the achievement of all these targets. Naturally, there are many other aspects of the Lisbon strategy apart

from the human one. Still, the human aspect forms the basis given that it is man who creates things. The economic and environmental pillars of the strategy are designed in such a manner that the common development efforts based on synergies will be indispensable not only within each pillar but also among the various pillars.

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