

BUSINESSEUROPE



PRESS RELEASE

4 December 2007

AUTUMN 2007 REFORM BAROMETER: DISAPPOINTMENT BECAUSE BIG MEMBER STATES STILL LAG BEHIND IN REFORM IMPLEMENTATION

BUSINESSEUROPE today presented its report on structural reform progress in 2007, based on the assessment of its national member federations. This detailed analysis of 17 policy areas in 27 countries across Europe precedes the publication of the European Commission's own assessment to be released on 11 December.

The key findings of the Reform Barometer are:

1. The pace of reforms did not pick up in 2007, despite the opportunities offered by still robust economic growth, and was particularly slow in a number of large EU member states.
2. Efforts to improve the Lisbon strategy will need to concentrate on closing the substantial implementation gap at the national level. Past recommendations to EU member states remain relevant for 2008 and Integrated Guidelines must be left broadly untouched.
3. Labour market reforms and measures to support the sustainability of public finances remain the highest priority at national level. Yet, progress in these two areas was altogether disappointing in 2007. Nevertheless, the report expresses confidence that an increasing political consensus around the so-called flexicurity approach could help remove important stumbling blocks to the modernisation of European labour markets.

BUSINESSEUROPE Secretary General Philippe de Buck said: *“At the time when the competitiveness of the European Union should be the first priority, there is no alternative but for all policy decision-makers to live up to their responsibilities as decided in the Lisbon strategy. BUSINESSEUROPE has already worked constructively in the social dialogue by addressing key recommendations on flexicurity.”*

Chart 3 Overall reform progress in 2007 and GDP growth estimates
Source: BUSINESSEUROPE Autumn 2007 Reform Barometer Survey and Autumn Economic Outlook

		2007 annual GDP growth		
		Below EU average	Close to EU average	Above EU average
Reform progress in 2007	Above EU average	France, Denmark Hungary	Malta, Netherlands Sweden, Austria	Ireland, Cyprus, Slovenia Luxembourg, Greece, Latvia
	Close to EU average	Portugal	United Kingdom Belgium	Finland, Estonia Czech Republic Poland, Norway
	Below EU average	Italy	Germany	Spain, Bulgaria Estonia, Slovakia

NOTE TO THE EDITOR

BUSINESSEUROPE – the Confederation of European Business represents more than 20 million small, medium and large companies. Active in European affairs since 1958, BUSINESSEUROPE Members are 39 central industrial and employers' federations from 33 countries, working together to achieve growth and competitiveness in Europe.

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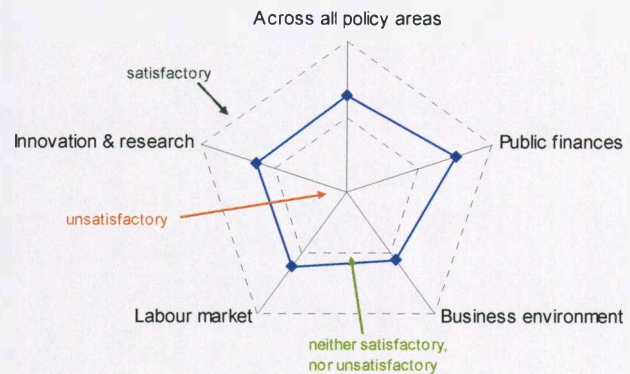
AUTUMN 2007 REFORM BAROMETER: ANSWERS FROM SEV (GREECE)

Reform priorities

1. Safeguard the sustainability of social security systems
2. Deliver on sound medium term budgetary objectives
3. Improve framework conditions for innovation
4. Improve business regulation
5. Create a more supportive environment for SMEs

Reform progress

(weighted average based on reform priorities)

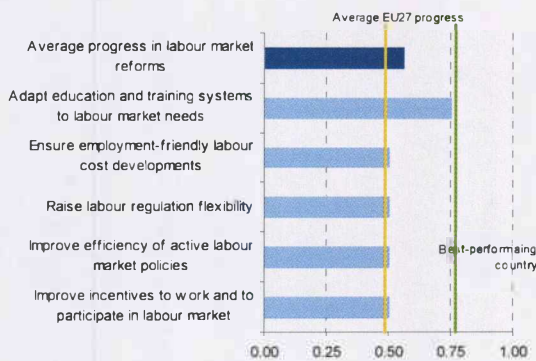


REFORM PROGRESS IN FOUR MAJOR POLICY AREAS:

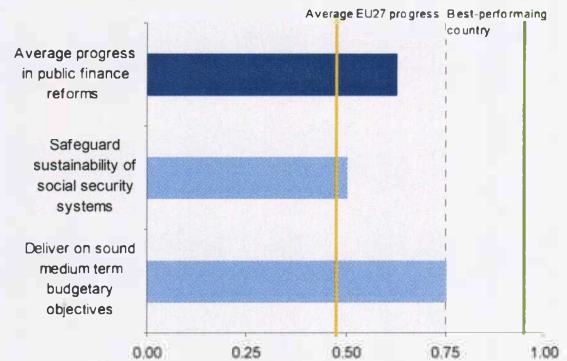
(Average progress is weighted by reform priorities)

0.00: deteriorating
 0.25: unsatisfactory
 0.50: neither unsatisfactory, nor satisfactory
 0.75: satisfactory
 1.00: excellent

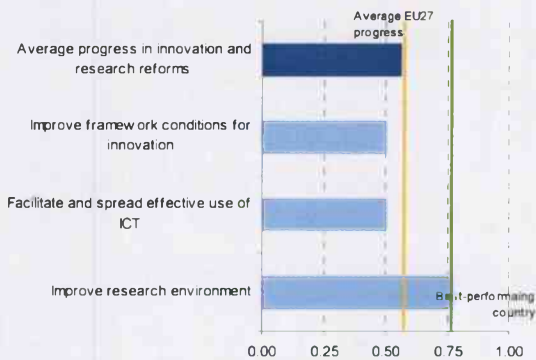
Labour market



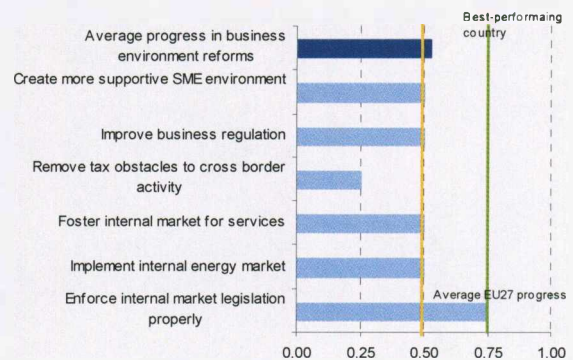
Public finances



Innovation and research



Business environment





ASSESSMENT OF SPRING SUMMIT 2007 COUNCIL RECOMMENDATIONS

Are the country specific
recommendations issued in March
2007 being implemented?

to some extent

Are these recommendations still
relevant for 2008?

Yes, absolutely

Is an update of these
recommendations required?

No

Is your federation appropriately
involved in the national debate on the
implementation of the EU Growth and
Jobs Strategy?

Yes, absolutely

Are the necessary steps taken to
adjust policies to the specific
requirements of euro area
membership?

to some extent



EUROPEAN REFORM BAROMETER Autumn 2007

National Reform Progress in 2007
More needed to sustain confidence
in EU outlook



WHO ARE WE?

BUSINESSEUROPE's members are 39 central industrial and employers' federations from 33 countries, working together to achieve growth and competitiveness in Europe.

BUSINESSEUROPE, the Confederation of European Business, represents more than 20 million small, medium and large companies.

WHAT IS THE EUROPEAN REFORM BAROMETER?

The European Reform Barometer provides a comprehensive review of structural reform across the 27 EU member states based on a survey of BUSINESSEUROPE's national member federations. This report presents recommendations to member states and European institutions in the context of the EU Lisbon strategy for growth and jobs.

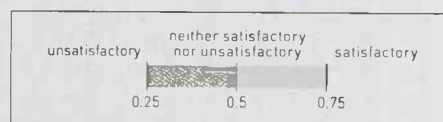
Detailed survey results and member states' reform assessments are published on our website www.businesseurope.eu

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Table 1 Assessment of reform progress in 2007¹

Source: BUSINESSEUROPE Autumn 2007 Reform Barometer



	Overall national reform progress	Labour market	Public finances	Innovation and research	Business environment
BE	0.51	0.56	0.38	0.58	0.40
BG	0.43	0.28	0.75	0.33	0.48
CZ	0.46	0.50	0.50	0.25	0.59
DK	0.54	0.36	0.57	0.67	0.70
DE	0.42	0.34	0.50	0.43	0.45
EE	0.43	0.38	0.25	0.60	0.55
IE	0.73	0.69	0.93*	0.75	0.65
GR	0.57	0.56	0.63	0.56	0.53
ES	0.44	0.47	0.38	0.50	0.46
FR	0.60	0.59	0.50	0.67	0.64
IT	0.32	0.29	0.40	0.32	0.32
CY	0.63	0.70	0.61	0.49	0.67
LV	0.56	0.55	0.50	0.72	0.68
LT	0.48	0.43	0.64	0.51	0.46
LU	0.58	0.51	0.61	0.75	0.58
HU	0.52	0.39	0.65	0.65	0.54
MT	0.72	0.75	0.89*	0.76	0.56
NL	0.63	0.49	0.75	0.75	0.67
AT	0.57	0.59	0.50	0.71	0.52
PL	0.46	0.45	0.25	0.68	0.46
PT	0.54	0.41	0.75	0.63	0.51
SI	0.59	0.61	0.49	0.39	0.75
SK	0.41	0.34	0.39	0.58	0.37
FI	0.50	0.41	0.40	0.75	0.67
SE	0.60	0.46	0.84*	0.75	0.65
UK	0.52	0.60	0.25	0.55	0.52
euro area	0.48	0.45	0.49	0.55	0.51
EU-27	0.49	0.47	0.46	0.56	0.52
NO	0.44	0.44	0.60	0.40	0.33

¹ Scores in the table are based on the assessment of BUSINESSEUROPE's federations in seventeen individual policy areas, weighted by the level of priority given to each area

* Progress in public finance reforms is close to "excellent" in Ireland, Malta and Sweden



BACKGROUND

Companies are creating more jobs than ever in the past...

The pace of economic transformation in Europe has been remarkable over recent years, pushed forward by faster globalisation, new technological frontiers and an increasingly interconnected EU economy following recent enlargements and the dynamics created by monetary union.

European companies have adapted well to these profound changes and have been able to drive a remarkable turnaround in EU labour markets. By the end of 2008, it is expected that around 17 million jobs will have been created since 2000 (see chart 1) pushing the

employment rate up from 62% to 66% over the same period.

A large part of this employment revival has occurred during the recent economic upturn, which coincided fortuitously with the re-launch of the Lisbon strategy for growth and jobs in 2005. Assuming a direct link between recent more positive employment trends and the renewed Lisbon strategy would overstate reality, but improvements in the EU agenda for economic reforms over the last three years cannot be denied.

Chart 1
EU employment and GDP levels 2000 - 2008
Source: BUSINESSEUROPE based on Eurostat

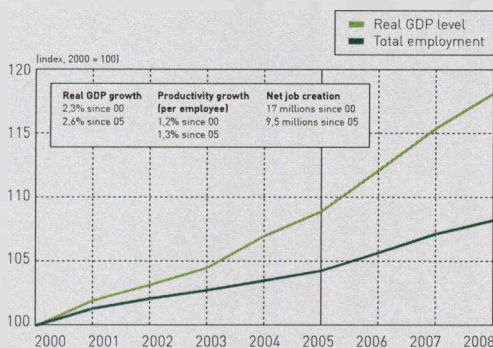
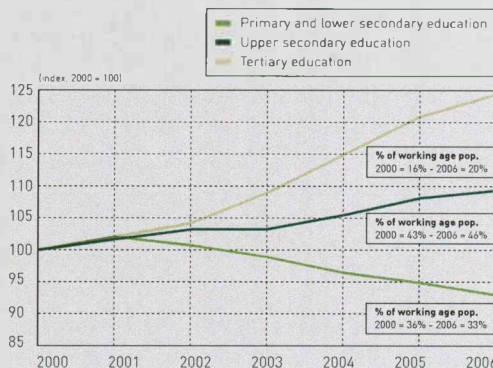


Chart 2
Employment demand by educational attainment levels
Source: BUSINESSEUROPE based on Eurostat



The revamped Lisbon strategy has delivered results...

At Community level, EU policies have tended to focus more on the overarching objectives of growth and jobs since 2005. For instance, regional policy, the second largest expenditure item in the EU budget, is now earmarked to a significant extent towards competitiveness-enhancing measures. Increasing attention paid to innovation, education, better regulation and the need to modernise the internal market are other signs of a collective

understanding of the challenges faced by the EU in the 21st century.

Regarding EU-wide coordination of national reforms, new instruments decided in 2005 such as the obligation for each country to draw up a National Reform Programme and implement a set of Country-Specific Recommendations collectively endorsed by the European Council have been significant steps in the

right direction. These instruments provide much better benchmarks to assess actual reform progress across EU member states.

However, major drawbacks such as a lack of

ownership and appropriate peer pressure still prevent the Lisbon strategy from delivering more significant results at the national level and from fostering deeper reforms in areas where progress is most needed.

Necessary reforms cannot remain unchecked in a more uncertain environment...

Policy challenges in the EU remain daunting. At the peak of the present business cycle, EU labour productivity growth barely reached 1.5%, which is only slightly above the weak average record since 2000 (see chart 1). Moreover, rapidly changing employment needs (see chart 2) are not suitably matched by the adaptation of available skills, and growing competitiveness divergences across member states are becoming an important source of concern, in particular among countries sharing the euro².

The urgent need to remove these obstacles cannot be overstated. The global economic environment has become significantly more challenging for European companies since mid-2007, particularly in view of disorderly exchange rate movements, financial market turmoil, record high oil prices and prospects of a slowing global economy. The resilience of European growth over the medium term will only be guaranteed by a continuous process of adaptation.

KEY RESULTS OF BUSINESSEUROPE'S AUTUMN 2007 SURVEY

Robust growth not sufficiently exploited to advance the reform agenda in 2007...

Reform initiatives are reported to have been taken in virtually all member states in 2007, but with varying levels of commitment and implementation records. Overall, the business community considers that the opportunities offered by still robust economic growth in 2007 were left largely untapped (see chart 3).

In this regard, we note that a number of fast-growing economies, such as Bulgaria, Estonia and Slovakia, and to a lesser extent Spain, Poland, Czech Republic, Lithuania and Norway, have registered overall reform progress somewhat below the EU average.

In Germany, despite an ongoing economic revival, reforms in 2007 were significantly below expectations and increasing political pressure to dilute essential parts of the "Agenda 2010" for reform are a rising source of discomfort, especially with regard to the pension system and unemployment benefit systems.

All considered, Italy scores the worst mark in our autumn survey, notably due to the worrisome state of public finances and lack of progress in improving work incentives, establishing a closer link between the education system and business needs and improving framework conditions for innovation. Its continued weak growth performance in 2007 is adding to concerns over medium-term prospects.

In France, the new government has received a cautious vote of confidence for some of its policy efforts in recent months, particularly its measures to improve vocational training and tax incentives for research and investment in SMEs. However, 2008 budget plans are disappointing and the government has yet to put in place important elements of its campaign programme to unlock business development and foster a supply-side economic recovery in France.

² For an analysis of specific reform challenges for euro-area countries see the recent BUSINESSEUROPE publication *Fit with the Euro*, May 2007

