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Dear readers,

Over the course of May, the results of activities that were more or less hidden for months came into the public eye, specifically activities connected with our première presidency over the Council of the EU. Not only were key priorities for our presidential period crystallised and made more precise, but, most importantly, a diplomatically important agreement was jointly concluded with France and Sweden within the framework of the presidential trio. The agreed-on programme for the presidencies of all three aforementioned states, which will take place over an eighteen-month period, thus represents a programme of continuity amongst the priorities of each one of them and defines the basic material and thematic areas that the leadership of key EU decision-making bodies will address starting at the beginning of this July and continuing up until the end of next year. These include increasing competitiveness in the global world; energy and environmental priorities, including fulfilment of emission standards that are included in the so-called "climate package"; legal and illegal migration; the stabilisation of new European institutions; communications with the Balkan states; and establishing intensive relationships with the new American administration.

Although it might seem that the current programme period of 2007 to 2013 for using resources from EU funds has not yet attained optimal speed and therefore any discussions on what will occur after 2013 might seem to be premature, a lively debate on the fundamental principles of cohesion policy after 2013 is under way at the national level in the member states. This is very closely related to one of the key points that are included within the agenda of our presidency over the Council of the EU next year – specifically the reform of the EU fiscal framework. Within its framework, it should be decided whether the cohesion policy will be retained unchanged, if it will be radically reformed in the direction of competitive projects across the entire EU, or if it should be targeted for the benefit of the most needy and most backwards regions – all with the awareness of further expansion of the Union.

In relation to the upcoming European Football Championship, we will experience an interesting phenomenon with respect to the functionality and performance of European policies: Austria, and most likely a certain part of Germany as well, will close down the open Schengen border and, in justifiable circumstances, establish national border controls along certain sections.

What else happened within the framework of May's European integration events? France decided to open its labour market and the European Economic and Social Committee celebrated its fiftieth birthday… once again, only a few activities amongst many.

With wishes for a pleasant start to summer and many interesting European topics with the companionship of the EU News Monthly Journal.

Petr Zahradník

The members of the governments of France, the Czech Republic and Sweden who are responsible for the European agenda reached an agreement for the upcoming three consecutive presidencies over the EU bodies, which will start in mid-2008 and continue up until the end of 2009. The European Commission recommended that Slovakia adopt the Euro as of January 2009. The ministers of finance from the member states will make a definitive decision in July with regard to this matter.

POLITICS

End of Preparations for the Presidency Trio's Programme

The final discussions on the **programme for the 18-month period** consisting of the successive three presidencies of France, the Czech Republic and Sweden took place in Prague on Tuesday, 27 May. The French delegation was led by Jean-Pierre Jouyet, the Secretary of State for European Affairs, the Czech Republic was represented by European Affairs Minister Alexandr Vondra and Sweden's Minister for EU Affairs Cecilie Malmström acted on behalf of her country.

The definitive version of the key document that defines the Union's direction from the first of July of this year through the end of 2009 was finalized at the meeting. The **Czech presidency** will take place during the middle of this time frame, specifically **from 1 January to 30 June 2009**.

The document consists of two main sections: the **Strategic Framework** and **the Operational Programme**, which is divided into the following seventeen chapters:

- Development of the Union
- Integrated Energy and Climate Policy
- Growth and Employment
- General Economic Issues and Policy Coordination
- Competitiveness and the Internal Market
- Research, Knowledge and Innovation
- Employment and Social Policy
- Gender Equality and Non-Discrimination
- Health and Consumers
- Culture, Audiovisual Segment and Multilingualism
- Sustainable Development
- Environment
- Transport
- Agriculture and Fisheries
- Cohesion Policy
- Area of Freedom, Security and Justice
- External Relations

The chapter devoted to **energy and climate changes** is a problematic point when it comes to discussions between the Czech Republic and Sweden, as the Czech Republic is concentrating primarily on energy safety and nuclear energy, while its counterpart is promoting environmental protection.

A likely point of debate between the Czech Republic and France could end up being the motto of the Czech presidency: "Europe without Barriers", as it is more than likely that France will carry on in a more protectionist spirit.

Holding the presidency over the EU bodies presents the Czech Republic with a unique opportunity for **increasing its visibility in the international forum** and presenting its points of interest. Let us hope that it will be at least as successful as the current presidency of Slovenia, which assumed its presidential role as the first new member country.

http://www.vlada.cz/scripts/detail.php?id=35603

ECONOMY AND EURO

Commission Recommends Euro Adoption in Slovakia

The European Commission and the ECB published their regular Convergence Report at the start of May. This document presents an assessment of the economic and legal convergence of ten member states of the EU, specifically Bulgaria, the **Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Sweden**. The report evaluates the level of compliance in these countries with respect to the criteria for adopting the Euro, i.e., the Maastricht Criteria.

According to the European Commission, Slovakia meets the requirements defined in the criteria for adopting the Euro and has stated this in the recommendation it submitted to the Council. **The Council of EU Finance Ministers (ECOFIN) will make the final decision** on the adoption of the Euro in Slovakia in July, after Parliament presents its opinion on the matter and the heads of state and government leaders discuss the mater at their June summit. Nevertheless, ECOFIN's decision should be just a formality – in the past, it has always been in accordance with the recommendations of the European Commission.

Fulfilment of Maastricht criteria

	criterion	Slovakia	CR
price criterion	3.2 %	2.2 %	4.4 %
interest rate criterion	6.5 %	4.5 %	4.5 %
exchange rate criterion	ERM II +	yes	no
public budget criterion*)	60.0 %	29.4 %	28.7 %
public debt criterion*)	-3.0 %	-2.2 %	-1.6 %

*Source: European Commission, *) as of GDP*

The European Central Bank, which does not have the right to make a recommendation with regard to the Euro adoption process but rather acts only as an evaluator, is approaching the future of the Euro in Slovakia in a more reserved manner. The ECB does confirm that Bratislava has met the

Maastricht convergence criteria, but, at the same time, **warns of future inflationary pressure**.

Of the ten member states that have a temporary derogation with respect to the implementation of the Euro, only Slovakia has thus far met the requirements. The **Czech Republic fulfils neither the inflation criterion nor the exchange rate criterion**. The Czech crown has not yet stabilised in relation to the Euro within ERM II – the European exchange rate mechanism.

On its path to the Eurozone, Slovakia has proven that **anything is possible if it is desired enough**. Although it is a less-developed country than the Czech Republic, which is also less similar to the Eurozone economy, reform-driven élan and a clear pull towards the European goal have borne fruit. One advantage the Czech Republic might have is at least the fact that it has a few years to learn from the Slovak experience with the process of replacing the crown with the common European currency.

Based on the actual distribution of political power in the Czech Republic, we estimate that the Euro will not be used to make payments here **until sometime during the 2014-2015 time frame**.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/715

FINANCE

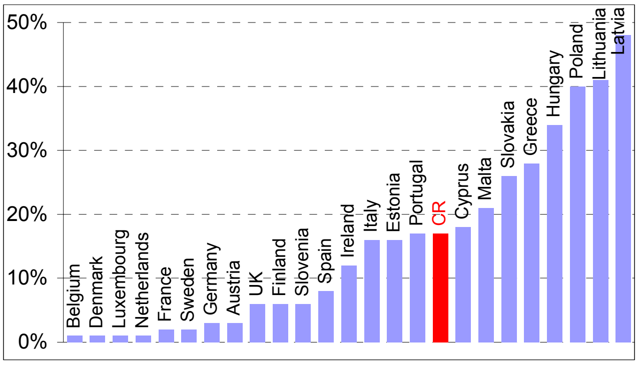
Study Reveals Differences in Access to Banking Services in the EU

A study prepared by the European Commission has revealed that **millions of citizens in Eastern Europe do not have a bank account** and live in “financial exclusion”. At the same time, differences were also found between the north and the south within the old EU member states with respect to holding bank accounts.

Based on investigations in individual member states, it is apparent that in countries with a higher per capita GDP only a very small percentage of inhabitants do not have a bank account: less than 1% in **Luxembourg, Belgium, the Netherlands and Denmark** and 2% in **France and Sweden**. On the other hand, this indicator is the highest in Latvia (48%) followed by Lithuania (41%) and Poland (40%). These particular statistics are not yet available for Bulgaria and Romania.

Financial exclusion often goes hand in hand with social exclusion. For this reason, the study’s authors appeal to politicians to view the problems associated with the absence of basic banking services into account within the framework of the broader scope of problems related to social exclusion and poverty. According to Vladimír Špidla, the European Commissioner for Social Affairs, the inability to access a bank account on the part of low-income households might lead to further problems with obtaining access to housing, healthcare and various social services.

Percentage of financially excluded people



Source: European Commission

According to Špidla, ensuring a situation wherein **every European has access to basic banking services** is thus a key task for the European Union and will influence the Commission's renewed social agenda, which it will present in June.

Differences in the statistics on access to basic banking services – a current account – refer to **various degrees of development within individual banking markets** in the EU. The markets that have the largest share of inhabitants without a bank account present banking groups with the greatest opportunities for growth in the small banking sector. This will increase to an even greater degree, as the European Commission will support a trend aimed at decreasing the number of people who do not have a bank account.

http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/2008/financial_exclusion_study_en.pdf

ENERGY AND TRANSPORT

One Step Closer to an Agreement on Liberalising the Energy Market

According to all available indicators, the supporters and opponents of the division of energy industry leaders will more than likely soon reach an agreement on a **compromise proposal between separating ownership and control** (through “unbundling”) and the current situation, wherein large companies dominate both the production as well as the distribution of energy.

The Commission has published new "Health Check" of Common Agricultural Policy in the EU. As opposed to the original proposal that was presented at the end of last year, there should be fewer cuts in the subsidies provided to large agricultural enterprises. The summit held between the EU and the Latin American countries ended incongruously. Both groups agreed on the necessity to fight against increasing food prices and global warming. On the other hand, conflicting opinions ruled with regard to the role of biofuels.

Eight of the Union's states, led by France and Germany, have long opposed the Commission's efforts to liberalise the energy sector, as they are **against the ownership unbundling of the distribution and production** of electricity and natural gas. In practise, this would result in the disintegration of large corporations such as EDF and E.ON.

The "rebellious eight" acquired an unexpected ally when the European Parliament's Industry Committee spoke out **against the forced unbundling** of energy industry giants, albeit only in the natural gas sector.

As a result, the main opponents of unbundling presented their own proposal at the start of its year under the name of "**Third Way on Energy Market Liberalisation**". This replaces the ownership unbundling of the production and distribution of energy by maintaining the status quo, with the condition that the competitive environment in the energy sector would be ensured with the assistance of monitoring performed by appropriate national regulatory authorities.

According to unofficial information, a compromise solution is well under way between the opposing sides. Supposedly, energy industry giants would not have to separate; however, the administration of distribution networks would be subject to the **operators of Transmission System Operators** (TSOs).

A snag nevertheless exists in the fact that the full decision-making powers of the TSOs would apply only to **standard daily management of transmissions systems**. In the case of important decisions, such as the approval of financial plans or decisions on paying out dividends, the regulatory authority would have the final say. A discussion is yet to be held on the manner in which the members of this authority would be appointed.

By putting forth its plan for the liberalisation of the energy sector, the European Commission assumed a heavy burden. Energy companies are amongst the **strongest capital groups with a high level of lobbying influence**, which they use in their attempts to maintain market position at any cost. We do however agree with the opinion that a higher level of competition on the energy market would definitely not harm consumers.

http://ec.europa.eu/energy/electricity/package_2007/index_en.htm

AGRICULTURE

EU Ministers of Agriculture: Food Prices Must be Stabilised

At their regular meeting, the ministers of agriculture from the EU member states agreed on the **necessity of stabilising food prices**, which have doubled over the past three years. They also discussed a regulation that would govern the conditions for introducing chemical agricultural plant protection products on the market in the EU.

The council meeting was chaired by Slovenian Minister of Agriculture Iztok Jarc, who presented his counterparts with a report in which the presiding countries identify the causes behind the current increasing prices. The increased prices of foodstuffs on the world's markets are the result of a combination of several factors, such as global warming, the **production of biofuels, increasing energy prices and the growing world population**.

In relation to this, Iztok Jarc stated, "There are some who say that high prices can constitute an opportunity for farmers since high prices should encourage increased production and yield greater profit for them. On the other hand, high prices are a serious problem for net importing countries, especially developing countries."

The EU already adopted extraordinary short-term measures last year, in order to decrease the prices of foodstuffs within the framework of the EU. These included **increasing the quotas for milk production and abolishing import duties** for practically all types of grain.

Not all member states considered these measures to be sufficient. Great Britain claims that the **full liberalisation of the agricultural market will help decrease prices**. According to British Minister Alistair Darling, it is necessary to abolish the measures that keep prices above the price levels on the world's markets. This would however entail significant interference with the currently functioning

Common Agricultural Policy (CAP). Germany and France are both against this liberalisation.

We agree with the opinion put forth by the British minister of agriculture. Unless radical changes to CAP are actually implemented, which the Health Check does not seem to indicate will happen (refer to the report above), the prices of foodstuffs in Europe will not go down.

http://www.eu2008.si/en/News_and_Documents/Press_Releases/May/0519AGRIFISH.html

CAP Modernisation Might Help Farmers React to Demand Better

The European Commission has published **new proposals for a "Health Check"** to the EU's Common Agricultural Policy (CAP). This not a reform to CAP, but rather a supplement to the reforms that were implemented in 2003 and pertains only to the current budget period, i.e., up through 2013.

The European Commission proposes that those member states, in which a historical model for payments is applied and on the basis of which agriculturist receive support in relation to the support they received in the past, would have the opportunity to abandon this model and **convert to a single payment system**.

At the same time, the validity of the system in place for providing **single payments based on area**, which is in use in some of the new member states, including the Czech Republic, would be extended. Originally, this system was set to expire. Now it is being considered to extend it up through 2013. At that point, it will be replaced by subsidies calculated on the basis of production levels.

The proposal also includes the **abolishment of requirements that force agriculturists to let 10% of their land lie fallow**. Removing the link between direct payments and the volume of production should also continue in other segments of agricultural production. Starting in 2010, the premium for energy crops should also be abolished. The gradual relaxation of milk quotas is also included (they should be totally removed by 2015).

The Commission is also promoting the **abolishment of intervention purchases for all grain crops** with the exception of wheat for the food industry. The current trend of transferring financial resources from direct aid in the direction of aid for rural development and financing new challenges (e.g., climate change, water management, etc.) should continue.

The updated version of the proposal also counts on **smaller cuts for large agricultural enterprises than was originally considered**. According to the original plan, large farms in the EU, which receive more than CZK 7.5 million (EUR 300,000) annually, would have faced up to a 45% cut in the amount they receive; now, it will be 9%. This is especially important for Czech agriculturists, as, due to historical reasons, this sector consists primarily of large agricultural enterprises.

This "Health Check" is definitely a step in the right direction. In the light of the current development on the market, it changes some Common Agricultural Policy parameters in a rational manner. Nevertheless, it is **unfortunately not a full reform**.

http://ec.europa.eu/agriculture/healthcheck/index_en.htm

EXTERNAL RELATIONS

Incongruous Results from the EU – Latin America Summit

Over the course of the weekend, over fifty leading representative from both sides of the Atlantic agreed that it is necessary to **fight against increasing food prices and global warming**. On the other hand, differing opinions ruled with regard to the role of biofuels and free trade and their role in influencing these trends.

A number of leading representatives from South America expressed their conviction that giving preference to crops appropriate for biofuel production to the detriment of food crops leads to a shortage of the amounts offered of the latter and thus to worldwide increases in the prices of basic foodstuffs. In the case of developing countries, where the costs for food represent up to 70% of the consumer basket in some households, this **presents a critical problem**.

The representatives from the European countries are also aware of this fact; however they **refuse to place the blame on biofuels**. According to Janez Janša, the prime minister of presiding Slovenia, the main reason for the increasing price of foodstuffs is the growing rate of consumption. Of the countries of Latin America, Brazil – a traditional proponent of these alternatives to fossil fuels – stands by the Union's stance in the defence of biofuels.

Just as expected, there were **no advances made in Peru with regard to negotiating free trade agreements** between the Union and Latin American organizations such as the Andean Community of Nations, Mercosur and the Central American Community. After the failure of these multilateral negotiations, separate discussion will start with the more liberally-oriented countries during the next few months. These negotiations do not even make the discussions held within the framework of the World Trade Organization any easier. They continue to be blocked on the

The European Parliament has expressed its agreement with a directive that will make conduct damaging to the environment a criminally punishable act in all of the member states. An investigation performed by the European Commission has revealed that up to one-third of all airlines publish confusing and even misleading information on their websites.

one side by the unwillingness of developed countries – primarily the USA and the EU-27 – to decrease the amount of agricultural subsidies, and, on the other, as a result of the fear held by developing countries with regard to opening their markets to developed competition.

Doubts about the policies supporting biofuels are starting to be raised in the European Union itself. In addition, according to a number of independent studies, the energy demands for producing current biofuels is almost equal to (or even higher than) their energy effect. The ultimate **solution will most likely come about with "second generation biofuels"**, which will be produced from biological waste, grasses or wood.

http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/er/100452.pdf

Poland and Sweden Defend the "Eastern Initiative"

Poland and Sweden have presented a proposal for **strengthening ties between the EU and its eastern neighbours**. This initiative comes three weeks after the European Commission launched the Neighbourhood Investment Facility (NIF), which is a new financial instrument implemented within the framework of neighbourhood policy. The goal is to increase the volume of investments that border the EU in the south and to the east.

NIF is expected to become a key instrument within the European Neighbourhood Policy (ENP), which was established in 2004 for the purpose of improving relationships with the countries of North Africa, the Near East and the former Soviet Union republics of Armenia, Azerbaijan, Belarus, Georgia, Moldavia, and Ukraine.

The new Polish-Swedish initiative is guided by the EPS structure and focuses on improving ties with **Armenia, Azerbaijan, Belarus, Georgia, Moldavia and especially Ukraine**. Poland and Sweden propose that a new partnership agreement, which is currently being discussed between the EU and Ukraine "could serve as a reference" for additional countries.

France, which will be presiding over the EU starting in July 2008, has recently started intensifying its efforts with regard to the status of the Ukraine and is **pushing for that country to be granted "privileged status" by the EU**.

It seems that the initiative submitted by Poland and Sweden supplements the French proposal for a "Union for the Mediterranean". As compared to the French plan however, the Polish-Swedish proposal clearly declares that **it will be incorporated within existing EU structures** and does not seek additional financing.

The primary difference between the proposal submitted by Poland and Sweden and the bilateral EPS is the fact that the Polish-Swedish initiative emphasises **multilateral cooperation in areas such a migration, visa-free travel, free trade, and environmental protection**. According to the proposal, the projects could be expanded to include Russia.

We consider the Eastern Initiative proposed by Poland and Sweden to be a **useful counterweight against the French-initiated project for the Union for the Mediterranean**. Further details of both these foreign policy actions will be discussed at the EU Summit in June.

http://www.eu2008.si/en/News_and_Documents/Council_Conclusions/May/0526_GAERC-prE.pdf

JUSTICE AND HOME AFFAIRS

Damaging the Environment Will be Criminally Punishable

According to a report on a proposed directive on legal protection for the environment, which was accepted today by the European Parliament, illegal conduct that harms the **environment or human health will be considered as a punishable crime** in all of the member states,

Criminal sanctions will also be imposed for collecting or killing protected flora and fauna as well as for the sale of substances that are damaging to the ozone layer.

The goal of the adopted legislation is to ensure that all of the member states consider certain specific behaviours that lead to environmental damage as being criminally punishable acts. In other words, if, in any of the member states, one of the criminal acts specified in the report is currently considered to be only a civil infraction, once this directive enters into validity, the member states will be obligated **to apply "effective, proportionate and dissuasive" criminal penalties** to that specific case.

The list of illegal activities that will be subject to sanctions in accordance with the criminal code includes the **discharge, emission or release of materials or ionising radiation into the air, soil or water**, which causes death or serious damage to health of persons or the environment, as well as the production, storage and transport of nuclear materials.

The MEPs also supported the inclusion of provisions that prohibit killing, destroying, possessing, or capturing protected species of wild flora or fauna; damaging natural habitats in protected areas; and producing, importing, exporting, introducing on the market.

In the CR, intentional damage to the environment is punishable by imprisonment for up to three years. In the case

of extremely aggravated circumstances, this punishment can be **increased up to eight years**. Environmental damage resulting from gross negligence is punishable by imprisonment for up to six months and, in the case of extremely aggravated circumstances, up to five years.

http://www.europarl.europa.eu/news/expert/infopress_page/064-29450-140-05-21-911-20080520IPR29449-19-05-2008-2008-false/default_en.htm

HEALTH AND CONSUMER PROTECTION

Commission: Airlines Are Not Playing Fair

Last May, the Commission started an **extensive survey of internet websites offering air tickets**, which is expected to continue for another year. The regular report that was published at mid-term revealed alarming results. Of the 386 web portals that were investigated, more than one-third were found to be significantly deficient. Administrative proceedings were started against the owners of the websites that were determined to have conflicts, whereby one-half of them acceded to rectifying the errors.

EU Consumer Commissioner Meglena Kuneva has requested airlines to remove these conflicting practices and has said “**act now or we will act**”.

The consumer protection regulations that are breached most often are **misleading pricing** (58% of the investigated websites) and **subsequent discrepancies in contractual** terms (49%). The latter area of irregularities includes errors in translation or even the complete lack of translations and pre-checked boxes for supplemental services of which the user is not aware. In addition, in the case of 15% of the websites it was not possible to find the advertised offers.

Given the specific legislation that exists in many of the member states of the European Union, the majority of them could not publish the names of the guilty companies. This step was undertaken only by Norway and Sweden, which revealed that the companies that have problems with adhering to regulations include the **Irish Ryanair and Austrian Airlines**.

Business activities founded on providing misleading and even untruthful information, especially in relation to prices, and the resulting betrayal of consumer confidence **should not be tolerated**. The question remains as to how to proceed against the guilty parties. Just possibly modifying existing legislation in a manner whereby it would be possible to publish the names of misleading airlines might be a more effective tool than the adoption of further regulations.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/722

EDUCATION AND SPORT

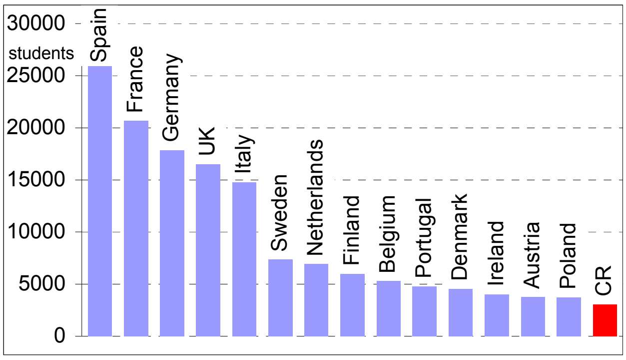
Increasing Number of Students and Educators Participating in Erasmus

The **number of students who travelled abroad within the framework** of the Erasmus Programme during the 2006/2007 academic year is 3 % higher year-on-year.

The Erasmus Programme was established in 1987 as the flagship of the EU’s educational programmes. It **supports mobility and cooperation at the higher educational levels** in the thirty-one countries that are involved. Over the course of twenty years, approximately 1.7 million students have completed a study stay abroad thanks the financial support provided by the Erasmus Programme.

A total of 159,324 students took advantage of the opportunity to travel abroad during the 2006/2007 academic year, which, when compared to the previous year, reflects an increase of 3.2%. The Commission recorded the **most dynamic student mobility in the new member states**, where it increased by 10% in comparison to last year.

15 most popular destination for Erasmus students



Source: European Commission, academic year 2006/07

The most students travel out of **Germany** (23,884) and **France** (22,981). The most common destination countries are **Spain, France, Germany, and Great Britain**.

The number of university educators who travel abroad thanks to the Erasmus Programme is also consistently on the rise. During the last academic year, a total of 25,809 participated.

The annual budget for the Erasmus Programme during the 2007-13 framework is approximately EUR 450 million. As a result, the monthly contribution for a student’s stay abroad increased by 22% and was EUR 192 in the 2006/2007.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/736

Better administration of the public budgets in Italy, Portugal, the Czech Republic, and Slovakia has led the European Commission to discontinue the procedures that were implemented due to excessive deficits. The European Commission welcomed France's decision to open its labour market to the eight member states that acceded to the European Union in 2004, including the Czech Republic.

5 MAY

Commission and Russia agree to strengthen dialogue on fisheries: http://ec.europa.eu/fisheries/press_corner/press_releases/2008/com08_34_en.htm

The ETF gives patronage on training programme in law & business in Europe: http://www.etf.europa.eu/web.nsf/opennews/C05E3A92E06C72B5C125743B00463AFB_EN?OpenDocument

6 MAY

Study confirms link between birth weight, weight gain and heart trouble: http://ec.europa.eu/research/infocentre/article_en.cfm?id=/research/headlines/news/article_08_05_05_en.html&item=Infocentre&artid=7193

Insurance requirements for Aircraft Operators in the EU: http://ec.europa.eu/transport/air_portal/internal_market/insurance_en.htm

Nuclear Issues - New publications on radiation protection: http://ec.europa.eu/energy/nuclear/radioprotection/publication_en.htm

7 MAY

MEPs in Washington urge US climate action: http://www.europarl.europa.eu/news/public/story_page/064-28262-126-05-19-911-20080505STO28111-2008-05-05-2008/default_en.htm

Myanmar - Commission provides €2 million in fast-track humanitarian aid for victims of Cyclone Nargis: http://ec.europa.eu/echo/whatsnew/ip_myanmar2008_en.htm

Launch of Hungarian and Slovakian EGTC cross-border cooperation pact: http://www.cor.europa.eu/pages/PressTemplate.aspx?view=detail&id=bc9fa3d1-6e2a-4ace-966f-4f06ad27c148

8 MAY

Written declaration on microcredit adopted by the Parliament: http://www.europarl.europa.eu/news/expert/infopress_page/028-28224-128-05-19-903-20080430IPR28009-07-05-2008-true/default_en.htm

European Central Bank: Results of the April 2008 bank lending survey for the euro area: http://www.ecb.eu/press/pr/date/2008/html/pr080509.en.html

EU27 spent 27.2% of GDP on social protection: http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2008/PGE_CAT_PREREL_YEAR_2008_MONTH_05/3-08052008-EN-AP.PDF

Social protection expenditure and funding

Sweden	32.0	Luxembourg	21.9
France	31.5	Hungary	21.9
Denmark	30.1	Spain	20.8
Belgium	29.7	Poland	19.6
Germany	29.4	**CR**	**19.1**
Austria	28.8	Malta	18.3
Netherlands	28.2	Ireland	18.2
EU-27	**27.2**	Cyprus	18.2
UK	26.8	Slovakia	16.9
Finland	26.7	Bulgaria	16.1
Italy	26.4	Romania	14.2
Portugal	24.7	Lithuania	13.2
Greece	24.2	Estonia	12.5
Slovenia	23.4	Latvia	12.4

Source: Eurostat, for year 2005

9 MAY

Parliament calls for more transparency on lobbying: http://www.europarl.europa.eu/news/expert/infopress_page/001-28227-128-05-19-901-20080430IPR28012-07-05-2008-2008-false/default_en.htm

Commission recommends Council abrogates excessive deficit procedures (Italy, Portugal, Czech Republic and Slovakia): http://ec.europa.eu/economy_finance/thematic_articles/article12538_en.htm

13 MAY

Enlargement Strategy and Progress Reports 2007: http://ec.europa.eu/enlargement/key_documents/reports_nov_2007_en.htm

Trade: Q&A on the double-checking surveillance system of imports of some textiles from China: http://trade.ec.europa.eu/doclib/html/138820.htm

14 MAY

Extraordinary Council meeting General Affairs and External Relations: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/gena/&filename=100310.pdf

EU and US to issue first ever joint statement on open investment: http://ec.europa.eu/trade/issues/bilateral/countries/usa/pr130508_en.htm

15 MAY

Trade: EU launches business survey on EU-US trade and investment barriers: http://ec.europa.eu/trade/issues/bilateral/countries/usa/pr150508_en.htm

Parliament and climate change: Carbon Capture and Storage: http://www.europarl.europa.eu/news/public/story_page/064-28763-133-05-20-911-20080513STO28752-2008-12-05-2008/default_en.htm

16 MAY

2866th Economic and Financial Affairs Council meeting: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/100339.pdf

Trade: EU and Korea complete 7th Round of FTA negotiations: http://ec.europa.eu/trade/issues/bilateral/countries/korea/pr150508_en.htm

19 MAY

Economic and Monetary Union in Europe - 10 Years On: http://ec.europa.eu/economy_finance/events/event12012_en.htm

20 MAY

2867th Agriculture and Fisheries Council meeting: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/loadDocument.ASP?cmsID=221&LANG=en&directory=en/agricult/&fileName=100468.pdf

21 MAY

An integrated maritime policy for the EU - 20 May designated European Maritime Day: http://www.europarl.europa.eu/news/expert/infopress_page/062-29033-140-05-21-910-20080516IPR29017-19-05-2008-2008-true/default_en.htm

22 MAY

2864th Education, Youth and Culture Council Meeting: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/loadDocument.ASP?cmsID=221&LANG=en&directory=en/educ/&fileName=100538.pdf

23 MAY

Report "The Impacts of the 2004 Enlargement in the area of transport": http://ec.europa.eu/dgs/energy_transport/international/studies/index_en.htm

26 MAY

Transport: Commission initials civil aviation agreement with Mexico: http://ec.europa.eu/transport/air_portal/international/pillars/developments/index_en.htm

Energy: Oil bulletin - Duties and Taxes 2008 available and weekly prices 2008 updated: http://ec.europa.eu/energy/oil/bulletin/2008_en.htm

27 MAY

2869th General Affairs Council meeting: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/loadDocument.ASP?cmsID=221&LANG=en&directory=en/gena/&fileName=100673.pdf

2870th External Relations Council meeting: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/loadDocument.ASP?cmsID=221&LANG=en&directory=en/gena/&fileName=100674.pdf

The European Agency for Safety and Health at Work launches the new “Healthy Workplace campaign”: http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=400

28 MAY

Agriculture: Monitoring Agri-trade Policy (MAP) - China: Out of the Dragon’s Den?: http://ec.europa.eu/agriculture/publi/map/01_08.pdf

EU and Croatia agree employment priorities: http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=402

29 MAY

The Commission encourages France to pursue budgetary consolidation as well as reforms: http://ec.europa.eu/economy_finance/thematic_articles/article12640_en.htm

Global trade barriers hitting small businesses hardest: http://ec.europa.eu/trade/issues/sectoral/mk_access/pr260508_en.htm

EU Globalisation Fund pays €3.1 million to help redundant workers in Portugal and Malta: http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=408

30 MAY

2871st Competitiveness Council meeting: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/loadDocument.ASP?cmsID=221&LANG=en&directory=en/intm/&fileName=100733.pdf

50 years of the EESC: Look into the past for future inspiration: http://eesc.europa.eu/activities/press/cp/docs/2008/communique-presse-eesc-047-2008-en.doc

Employment, Social Affairs and Equal Opportunities: Commission welcomes French decision to open its labour market: http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=405

Information service

The most significant event scheduled in the EU for the month of June is the same as every year – the European Council in Brussels. The main representatives from all of the member states have several interesting points to discuss. Our eastern neighbour will surely not fail to pay attention to the discussion on the adoption of the Euro, which is however not expected to be too conflictive. The discussion on the package for the liberalisation of the energy sector is sure to arouse much more emotion.

Meeting of the key EU institutions

3.6.2008	**Luxembourg, Luxembourg**	- Economic and Financial Affairs Council (ECOFIN)
4.-5.6.2008	**Brussels, Belgium**	- EP Plenary Part-Session – Appearance of the EU Council representative before the EP
5.-6.6.2008	**Luxembourg, Luxembourg**	- Council Justice and Home Affairs (JHA)
5.6.2008	**Luxembourg, Luxembourg**	- Environment Council
6.6.2008	**Luxembourg, Luxembourg**	- Transport, Telecommunications and Energy Council (TTE) - Energy
9.-10.6.2008	**Luxembourg, Luxembourg**	- Employment, Social Policy, Health and Consumer Affairs Council (EPSCO)
12.-13.6.2008	**Luxembourg, Luxembourg**	- Transport, Telecommunications and Energy Council - Transport and Telecommunications
16.-17.6.2008	**Luxembourg, Luxembourg**	- General Affairs and External Relations Council (GAERC)
17.-18.6.2008	**Strasbourg, France**	- EP Plenary Session – Appearance of the EU Council representative before the EP
19.-20.6.2008	**Brussels, Belgium**	- European Council
23.-24.6.2008	**Luxembourg, Luxembourg**	- Agriculture and Fisheries Council

Public consultation on EU legislation

Topic of the consultation	Organiser	Deadline
Implementation of The Marco Polo II programme	DG TREN	20.6.2008
Potential refinements to the Capital Requirements Directive	DG TREN	20.6.2008
Possible revision of the existing legislation on emergency oil stocks	DG INFSO	2.7.2008

This June issue of the EU News Monthly Journal is devoted to the main characteristics of the EU's labour market and employment policies. After an introductory statistical description of the labour market in the EU, we dedicate ourselves to the modern symbiosis of flexibility and security on the labour market, the actual policies in place for the labour market in the EU, key issues pertaining to the development of human capital and the mobility of workers from the individual member states on the common internal market.

MAIN CHARACTERISTICS OF THE EU LABOUR MARKET AND EMPLOYMENT POLICIES

STATISTICAL DESCRIPTION OF THE EU LABOUR MARKET

Since 2004, the EU's economic performance has been somewhat fluctuating, primarily as a result of a surge in crude oil prices in 2005, which led to a slowdown in overall economic dynamics, followed by a resumed tendency towards slight acceleration in subsequent years.

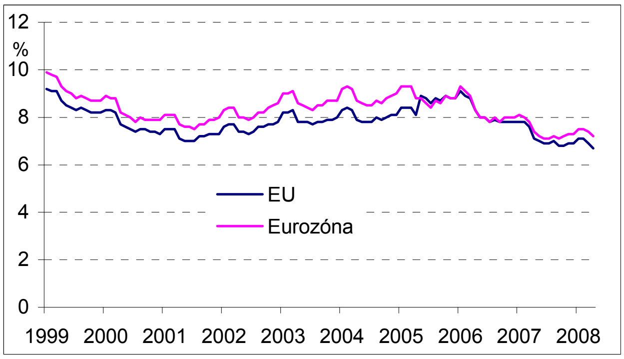
Employment rate (15 to 64 years) in %

Country	Total	Males	Females
Denmark	77.1	81.0	73.2
Netherlands	76.0	82.2	69.6
Sweden	74.2	76.5	71.8
Austria	71.4	78.4	64.4
UK	71.3	77.3	65.5
Cyprus	71.0	80.0	62.4
Finland	70.3	72.1	68.5
Germany	69.4	74.7	64.0
Estonia	69.4	73.2	65.9
Ireland	69.1	77.4	60.6
Latvia	68.3	72.5	64.4
Slovenia	67.8	72.7	62.6
Portugal	67.8	73.8	61.9
CR	**66.1**	**74.8**	**57.3**
Spain	65.6	76.2	54.7
EU	**65.4**	**72.5**	**58.3**
Lithuania	64.9	67.9	62.2
France	64.6	69.3	60.0
Luxembourg	63.6	71.9	55.0
Belgium	62.0	68.7	55.3
Bulgaria	61.7	66.0	57.6
Greece	61.4	74.9	47.9
Slovakia	60.7	68.4	53.0
Romania	58.8	64.8	52.8
Italy	58.7	70.7	46.6
Hungary	57.3	64.0	50.9
Poland	57.0	63.6	50.6
Malta	55.7	74.2	36.9

Source: Eurostat, in 2007

Without regard to the variability in economic development productivity, employment growth in the EU has gradually accelerated since 2003; however it still remains far below the values recorded at the end of the 1990s and the start of this decade. Average employment growth over the last period fluctuated between 0.5% and 1.0% annually. Taking the slight improvement of conditions on the labour market into consideration, the employment rate during the same period gradually increased up to levels exceeding 64% of the total number of inhabitants between 15 and 64 years of age. At the same time, the unemployment level reflected a systematic decrease and was below 7.0% at the start of 2008. Over the course of the monitored period however, the development of job productivity was variable, whereby it decreased at about the middle of this decade and then slightly increased and thus did not in any way narrow the gap in comparison with the USA.

Unemployment rate development in EU and EMU



Source: Eurostat

The rate of advance towards the overall Lisbon goal with regard to the employment level, projected up to 2010, continues to remain slow and attainment of this goal is becoming a consistently greater challenge. Nevertheless, the recent move forward towards the employment goal for women and older individuals, especially during a period of not exactly dynamic economic growth, does present certain encouragement. Considering that the average employment rate in the EU has increased by approximately 0.7 of one percentage point over the past four-year period that was monitored, in the case of women, it increased by almost one full percentage point (to a level of 57%) and in the case of older individuals (between the ages of 55 and 64) it increased by a significant not quite 2 percentage points (to a level of 44%). The employment rate for the younger population (between 15 and 24) remains basically unchanged (at a level of approximately 37%).

Over the course of the past few years, a number of influences on the not entirely strong employment performance in the EU resulted from the relatively weak performance on the labour markets in large countries such as Germany and Poland, even though the trend reflected in the recently published data indicates that the situation on the labour markets in these specific countries has improved. At the current time, a number of the EU's southern member states remain significantly below the common employment goals for the EU. In addition, there is a tendency towards the further increase in difference in employment rate based on gender. Large differences in labour market performance also exist at regional levels. Stronger integration of migrants in the labour market remains a challenge for many EU countries.

At the individual member state level, the development of employment was fundamentally positive, as the employment level decreased only in Germany and the Netherlands, grew by more than 1% in 10 of the member states, and increased by an even more visible 3% in Luxembourg, Spain and Ireland.

The increase was faster with regard to the employment of women as compared to men, although noteworthy development was reflected in the employment level amongst men in the primary age group (25 to 54 years), which was attained after several years of a decreasing rate.

The continuing positive trend with regard to the employment of older workers, together with strong growth in the part-time employment segment on the basis of contracts concluded for a fixed period of time (in our terminology "definite period"), are also an important development characteristic.

The qualification profile of the EU population in the productive age group continues to improve. An especially strong level of improvement is reported in the qualification component for women, which contributes towards a more employable and adaptable workforce, subsequently leading to an increase in employment and the employment level.

Highly-qualified non-manual professions are the primary driving force for the overall growth in employment during the most recent period and they represent the main segment of expansion in employment since 2000. This demonstrates an ongoing improvement in the qualifications structure amongst the employed and reflects continuing movement towards a more knowledge-based economy. However, there are indications of a certain level of polarization in the changes to the professional structure with regard to highly-qualified professions and very low-qualified professions, with a decrease in employment for qualified manual professions. Within the overall European labour market, the manner in which each labour market is organized represents a fairly strongly perceived value in relation to such things as the forms of employment contracts used, the number of work hours and the existence of atypical work arrangements, which are not unusual in the majority of member states. Data collected not so long ago indicate changing trends across all of the member states with regard to the occurrence of atypical work periods (e.g., working at night or on Sundays) whereby there is a general decrease in the number of irregular jobs. The average work period per employed person remains relatively high in the new member states, primarily due to the low amount of part-time work available in these countries, although there seems to be a predominant tendency towards a continuing decrease in average working hours across the EU with a few minor exceptions.

FLEXIBILITY AND SECURITY

The member states should strive towards the convergence of their perspectives with regard to a set of common principles for combining the flexibility and security of employment on the labour market – a concept that is gradually becoming known as "flexicurity". Flexicurity is a reaction to the need for improving the adaptability of both workers as well as companies to the rapidly changing labour market and labour market segmentation.

A segmented labour market brings about the risk of growing insecurity with regard to job positions, which subsequently damages the sustainable integration of employment and limits the accumulation of human capital.

A proper balance between flexibility and security can be attained through the mutual interaction of four key elements:

a) sufficiently flexible contractual provisions;
b) efficient policies for an active labour market;
c) a credible lifelong teaching and educational system; and
d) a modern social security system.

At first, the term "flexicurity" was used to describe the successful combination of flexibility and security that was attained on the Danish and Dutch labour markets. However, flexicurity has since expanded from being used to describe specific national contexts and has become a tool for classifying various labour markets. The EU member states can be grouped into several flexicurity categories based on a mix of a certain dimension of flexibility (external flexibility) and a certain dimension of security (pension and employment). However, in order to incorporate additional dimensions, specifically internal and functional flexibility, further development is required.

External flexibility pertains to the ease of hiring and firing (or, better said, releasing) workers and using flexible forms of employment contracts. It is measured by the OECD indicator that assesses the strictness of Employment Protection Legislation (EPL). As both theoretical as well as empirical findings indicate, strict EPL, which has a problematic or limited impact on total unemployment and employment, worsens employment prospects for women, the young, and older workers. It can also slow down the flow of work forces between various job positions, which subsequently makes the labour market less dynamic and increases the average period of unemployment.

During recent years, certain member states have increased external flexibility to the maximum threshold possible, primarily by relaxing EPL solely for temporary, short-term and irregular employment contracts, while retaining strict rules for permanent regular employment contracts without any changes. This approach led to the development of two-tiered labour markets, in which the burden of adapting to shocks falls on employees who have atypical employment contracts (e.g., for a fixed period of time). This led to employment uncertainty and insufficient adequate training and education provided to workers with atypical contracts and subsequently had a negative impact on productivity. Flexicurity would call for a parallel relaxation of rules for regular (standard) and atypical employment contracts as a method for attaining improved flexibility on the labour market.

EPL and Unemployment Benefits (UB) can be viewed as two various methods for protecting workers against labour market risks. Empirical studies show that workers feel better if they are protected by UB than by EPL. Relatively high UB amounts reflect a tendency to be connected with longer periods of unemployment, caused, amongst other things, by decreased intensity in searching for a new job. However, this can be decreased significantly by establishing an effective activation strategy, which coordinates UB administration with active employment policies or Active Labour Market Policies (ALMPs). Possible reform strategies could compensate a flexible EPL with higher transfers to the unemployed in the form of income compensation (passive employment policies) and active measures (ALMPs).

The debate on flexicurity strengthens the significance of the mutual ties between labour market policies and institutions. In accordance with adequately supported theoretical results and statistical procedures, the member states of the EU are linked on the basis of the number of dimensions (axes) that characterise the individual national labour markets. These classifications define the presence of three major axes, which can be broadly interpreted as being representative:

- (nominal external) flexibility;
- security; and
- the burden of tax contributions and social security contributions.

A key observation from this analysis is the fact that there exists a significant level of synergy between the flexibility/employability axis and the security axis from the perspective of labour market performance outputs. Countries that report high values both on the flexibility axis as well as on the security axis, also report positive values for socio-economic variable – such as higher employment levels, more equitable division of income, etc.

The political feasibility for implementing reform measures, which improve the combination of flexibility and security, can be strengthened through negotiations within the framework of a (tripartite) social dialogue. Nonetheless, the significantly compensatory substance of flexicurity reforms (i.e., more relaxed EPL exchanged for higher and more generous policies for expenses supporting the labour market) might make their implementation problematic due to the resulting increase or transfer of governmental expenses together with the necessary benefits required within the framework of efficient public administration.

In order to ensure that there is not a significant increase in governmental expenses, a number of policies that are consistent with flexicurity have been proposed or implemented. These include:

(a) establishing individual or relocatable unemployment accounts; and

(b) replacing all types of employment contracts with one common version, decreasing the expenses related to dismissing (releasing) employees and creating a tax for the event of temporary unemployment in order to finance UB and Public Employment Services (PES).

These measures and proposals illustrate that there are various paths towards improving the combination of flexibility and security – specific solutions depend on the relevant national circumstances as well as policy selections and preferences, which might bring equivalent socio-economic results in the long run.

EFFECTIVE ACTIVE LABOUR MARKET POLICIES IN THE EU

Within the context of the existing debate on flexicurity and based on the conclusions of the Council of the EU from Spring 2006, effective Active Labour Market Policies, which support movement between jobs and the move from unemployment and inactivity to a job, are one of the

ingredients that are fundamental in order to attain a proper balance between employment flexibility and security and for decreasing the risk of labour market segmentation.

Both the European Employment Strategy (EES) as well as the OECD Jobs Strategy have recommended the following activities:

1. Shift resources from passive labour market policies (i.e., from those that focus on ensuring income support) to active ones (i.e., those that attempt to improve the prospects for labour market participants);
2. Take the mutual interconnectivity between active labour market policies, tax systems and benefit systems into better consideration, preferentially within the framework of activation strategies, in order to increase the efficiency of active labour market policies.

The total average expenses for labour market policies in the EU member states reached a level exceeding 2% of GDP over the extended time frame of 1985-2004, with a slight temporary decrease that occurred in the mid-1990s. Significant differences in these costs do exist amongst the countries, as they fluctuate from a level of below 0.5% of GDP in the Czech Republic, Estonia, Latvia, Lithuania, Slovakia, and Great Britain up to a high of 4.4% in Denmark at the end of the first half of this decade. In the EU the share of expenses for active measures is approximately 1/3 of the total expenses for labour market policies. This indicates that the member states of the EU have not made any significant advances in shifting resources from passive to active measures, in spite of the declared intentions of a number of governments.

The effectiveness of active labour market policies is generally valuated using either microeconomic or macroeconomic techniques that measure participation in the programme of subsequent employment and/or prospective earnings. However, when taking advantage of the accessibility of adequate data, the application of the macroeconomic general balance approach is preferred to the microeconomic individual balance approach, as the macroeconomic approach is capable of also measuring indirect and long-term effects that might lead to a revision of the conclusion obtained for the purpose of labour market evaluation from a microeconomic perspective.

An overview of programme evaluations, including a recently completed meta-analysis of more than 100 studies that were completed in Europe, leads to the following observations: training and instruction have only a very slight likelihood of having a positive impact on post-programme employment levels. In comparison, expenses for employment offers and PES are linked to significantly better results. Evidence shows that assistance programmes for searching out jobs generally and activation policies specifically are rated very highly amongst the cost-efficient measures of active labour market policies from the perspective of helping the unemployed to find jobs and keep them. Programmes that include the direct creation of jobs in the public sector have a less likely positive impact on post-programme employment and their results as compared to training (instruction) programmes.

Volume of Labour Market Policies (as of GDP in %)

Denmark	4.34
Germany	2.97
Belgium	2.90
Netherlands	2.68
Finland	2.54
France	2.32
Sweden	2.28
Spain	2.16
Austria	2.11
EU-27	**1.92**
Portugal	1.84
Ireland	1.57
Italy	1.27
Poland	1.16
Luxembourg	1.04
Slovenia	0.66
Slovakia	0.65
Hungary	0.64
Bulgaria	0.63
United Kingdom	0.60
Greece	0.56
Latvia	0.54
CR	**0.49**
Romania	0.43
Lithuania	0.39
Estonia	0.15

Source: Eurostat, all figures are for 2006 except of Denmark (2004) and Greece (2005), data for Malta and Cyprus are not available

The results from micro-econometric evaluations and several available macroeconomic studies are actually somewhat contradictory. Macro-econometric studies usually find that training (instruction) is the only category of active labour market policies that seem to have a positive impact on the aggregate outputs of the labour market. This paradox could be resolved by expanding the period that is monitored to include the effects of training after it has been completed by the participants. In practice, training programmes are often

evaluated as having negative, or only slightly positive, impact on the output performance of their participants over the course of the first year or two of completing the programme. Nevertheless, after this initial period, an increasing number of subsequent studies have obtained proof of positive impacts that can be attributed to training.

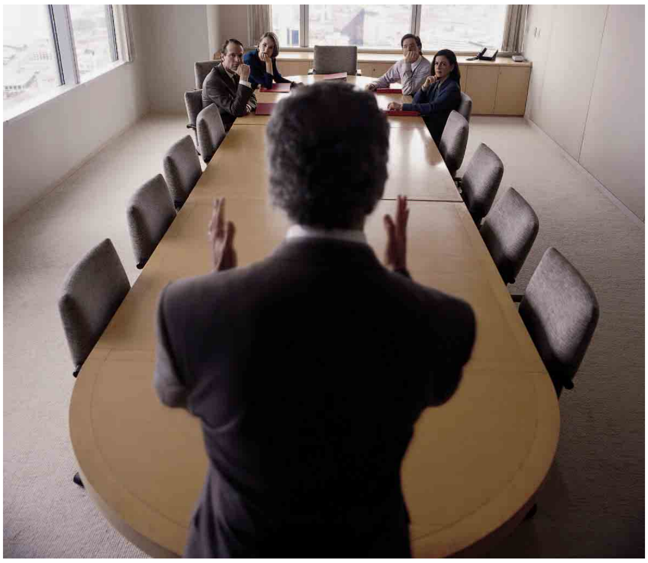
In order to take advantage of synergy and increase the effectiveness of active policies, it is important to consider the mutual relationship between active and passive labour market policies. The braking effects that relatively high and long-lasting support during unemployment has on workforce supply could be, at least partially, balanced by implementing well-planned active labour market policies. Over the course of the most recent period, the member states of the EU preferred balancing some of the braking effects on UB and public social assistance systems through implementing focused activation strategies that coordinate the public administration of UB with the expenditures for active labour market policies.

Although the situation in Europe is improving rapidly and proportionately in relation to the ever-expanding practice of managed evaluation, the development of an evolutional culture for labour market policies is still only in its very initial and developmental forms in many EU member states. Valuating the effects and monitoring the implementation of active labour market policies is an important step in the process of improving these policies and ensuring that they enjoy better results.

HUMAN CAPITAL, TECHNOLOGY AND GROWTH IN THE EU MEMBER STATES

Together with technology, human capital represents the core of the Lisbon Strategy with the goal of increasing EU productivity within the context of a knowledge-based economy. However, up until now, investments made primarily into a highly-qualified workforce have been more of a disappointment. Currently, the EU allocates approximately 1.2% of GDP to higher education as compared to a level of almost 20.9% of GDP in the USA. This underinvestment in a highly-qualified workforce has been interpreted as one of the main reasons behind the relatively slow growth in Europe over the past years. The revised Lisbon Strategy from 2005 and the related “Integrated Guidelines for Growth and Jobs (2005–2008)” place even stronger emphasis on the need to invest more in human capital through improved education and qualification skills.

Within today’s existing economic literature, some models link human capital with economic growth and primarily monitor two major approaches. The standard approach considers human capital to be an additional input to productive functions together with physical capital and labour. Within this particular approach, growth is defined as an accumulation of human capital. Consequently, the differences in growth rates amongst countries can be explained by differences in the levels at which these countries accumulate human capital. They implicitly consider education to be a factor that influences work productivity in the same manner, without regard to the type of job that is linked with the attained level of education.



Within the framework of the second approach, growth is defined by the supply of human capital, which determines the country’s capacity for creating new technologies and absorbing new technologies developed in other countries. This alternative approach attempts to explain the differences in the growth rate amongst countries through differences in the supply of human capital, i.e., the country’s ability to create and absorb new technologies. It considers education to be especially important for employment positions that require innovation and adaptability to change, which grow at a rapid rate in knowledge-based economies.

A qualified workforce is better for the creation and absorption of new technologies and thus during the conception of technological advances. Given the manner in which human capital and technology are considered to be the key determinants of EU productivity, this specified alternative approach was adopted for proving – on an empirical basis – the growth effects of a highly-qualified workforce through technological advances in the individual EU member states. Nevertheless, primarily within knowledge-based economies, wherein technological advances can even result in economic imbalances, it is not

only the level of human capital or its composition that influences economic growth, but also the adaptability of the workforce. The adaptability of workers is fundamental for the efficient reallocation of resources in reaction to changes in economic conditions.

Although the capacity to react to change is one of the main characteristics of a well-educated workforce, it is important to anticipate that the level of workforce adaptability is sensitive to the forms of work organization that the workers encounter. Subsequently, the growth effects resulting from a qualified workforce might be of varied significance, dependent on whether the work environment is such that it stimulates the efficient use of the adaptability of qualified workers for the benefit of technological advances.

In order to evaluate these expectations, a model was used that is founded on mutually comparable data from 14 of the EU member states, with comparisons provided for every five years during the 1960 to 2000 time frame. It estimates the level of impact that a highly-qualified workforce, measured according to the ratio of the adult population with a tertiary level education to the total adult population, has on technological advances. A significant difference is identified with respect to the differences between the effect of a highly-qualified workforce on the country's capacity to be innovative and its ability to come closer to technological leaders.

The indicator rate is a function of the proportion of highly-qualified workers in relation to the total workforce and the distance to the technological threshold. As a country nears the technological threshold, the impact of factors related to adopting technologies weakens and the ability to be innovative amongst domestic resources starts gaining in significance. This result points out the positive impact of a qualified workforce on the ability of EU member states to develop new technologies under domestic conditions and absorb technologies developed abroad.

Empirical results also confirm the conviction that the effects on technological advancement will be more significant in countries that are closer to the technological threshold and where the work environment supports the capacity of highly-qualified workers to adapt to changes in economic conditions. The combination of a highly-qualified workforce and a flexible work environment thus strengthens a country's ability to create and develop new technologies.

GEOGRAPHIC MOBILITY WITHIN THE FRAMEWORK OF THE EU

The geographic mobility of EU citizens remains a limiting phenomenon both in relation to the total EU population as well as in comparison to migration to the EU from third countries. At the current time, less than 2% of EU citizens in the productive age group live in another EU member state. The largest proportion of this number is from the old member states of the EU-15, which is less than 20% of the total EU workforce that was born in third countries. There are however significant differences amongst the individual member states. The current employment mobility flows are low – official statistics indicate that only 0.1% of the national workforce of the EU-15 change their residency from one member state to another over the course of one year. According to available information, the level of mobility with respect to the movement of workers from the EU-10, or actually the EU-12 since expansion, to the EU-15 are still limited and the flow of workers in the opposite direction is even more negligible.

Regional mobility within the framework of the member states is significantly higher than cross-border mobility, although it is true that the level of regional mobility basically varies from state to state and is significantly lower in the new member states as compared to the old members. Overall, the level of geographic mobility in the EU is lower than that in the USA. Although it is not as marked a difference as often mentioned, there is a higher potential for mobility in the EU as compared to the USA.

The internationally mobile citizens of the EU-15 have a tendency to work in highly-qualified non-manual professions and are significantly younger, better educated, usually single and with less likelihood of having children than the overall EU workforce or migrants from non-EU countries. Their educational, skill and qualification levels have increased since 2000. There also seems to be a trend of increased mobility amongst older workers.

In comparison to their counterparts from the EU-15, internationally mobile workers from the EU-10, or EU-12,

are younger, include a higher number of female workers and it is significantly less likely that they will have a higher level of education. They include a very high share of individuals with mid-level qualifications. It is therefore less likely that these people will fill highly-qualified positions, but they do include a significantly higher concentration of qualified manual and basic professions, which thus indicate their complementary roles within the economies of the hosting countries.

The levels of employment for the mobile citizens of the EU-15 are very similar if not higher than the level of employment amongst the total EU population of a productive age. The level of employment amongst EU-10, or EU-12, citizens working in the older member states increased significantly during the last period and is coming closer to the employment levels of the entire population and migrating citizens from the EU-15; in addition, they are significantly higher than in the case of citizens of non-EU member countries.

Survey data on the intentions of European Citizens to move to another country during the next five years indicate that cross-border mobility amongst the member states of the EU-15 will most likely increase, but most likely not in any significant way during the short- or mid-term time frames. As far as the countries of the EU-8 are concerned, the Czech Republic, Hungary, Slovakia, and Slovenia expect mobility levels that are lower than in the majority of the older member states. The anticipated mobility from the three Baltic States and Poland is significantly higher than the mobility from the other member states, but it is unlikely to place long or lasting challenges for the labour markets in the accepting countries. If we take a look at long-term development, demography will most likely act as a brake to mobility, especially as a result of a decrease in the group on younger people, which displayed the tendency to be the most mobile.

If we have relatively low values for mobility in Europe, it is essential to continue supporting the free movement of workers as one of the fundamental freedoms of citizens and strive to ensure its contribution towards the better functionality of the labour market. We must uninterruptedly continue efforts aimed at the further reduction and removal of existing legal and administrative barriers to mobility, including temporary modifications that allow the free movement of workers from the new member states. However, even if all administrative barriers and informational obstacles to mobility were removed, barriers of a social, cultural, education, and infrastructural nature would still remain the main obstacle. Coming to grips with these obstacles will require activities focused on supporting integration and accepting newcomers, ensuring an attractive urban environment and housing market, improving foreign language skills, increasing the educational level, and assisting young people in obtaining their first experience with mobility though study and exchange programmes abroad.

Geographic mobility is a fundamental element within the strategy for adjusting to the existing and future demands of the labour market in an expanded EU. Nevertheless, in order to ensure effective political reactions to these challenges, the policies focused on geographic mobility must be accompanied by activities within the realm of additional policies in the areas of employment, education and migration.

CONCLUSION

The employment situation in the expanded EU continues to improve, without regard to fluctuating economic growth and a slowdown in the economic activities in certain key member states. Even though attainment of the total Lisbon goal for employment remains the main challenge, further advances were made in the case of the overall employment level, the employment of women and primarily older workers. Increased efforts are needed in all three priority areas identified in the employment concept, namely:

(1) attracting and maintaining more people in employment positions increasing the workforce supply and modernising social security systems;

(2) improving the adaptability of workers and companies; and

(3) increasing investments in human capital through better education and qualification skills.

The conclusions from the last joint Report on Employment emphasised the significance of a focused approach to reforms, taking into consideration the rapid structural changes that result from ageing and globalisation. The findings presented in the Annual Employment Report confirm this claim. The member states need to identify and implement an appropriate combination of policies that strengthen both the flexibility of their individual labour markets as well as their security. As it is obvious that, as far as this issue is concerned, one common flexicurity solution for all does not exist and the reforms that are adopted will require the specific situation in each member state to be reflected, an integrated reform approach containing all of the key elements, i.e., modern employment laws, active labour market policies, lifelong learning and educational systems, and a modern social security system, will not only contribute towards better employment results but will also prove that they are politically more feasible.

The statistical window in a tabular form shows important macroeconomic indicators from all member states and the EU as a whole. It includes economic performance indicators (per capita GDP as compared to the EU average, GDP growth, unemployment rate), external economic stability indicators (current account to GDP), fiscal stability indicators (public budget to GDP, public debt to GDP), and pricing indicators (annual inflation based on HICP, base price level).

Key macroeconomic indicators

	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
in %	2005	2006	2007	2005	2006	2007	II-08	III-08	IV-08	II-08	III-08	IV-08
Belgium	1.7	2.8	2.7	3.0	3.3	3.3	7.0	6.9	6.9	3.6	4.4	4.1
Bulgaria	6.2	6.3	6.2	-11.5	-16.3	-22.0	6.0	5.9	5.5	12.2	13.2	13.4
CR	6.4	6.4	5.8	-2.3	-3.1	-2.4	4.6	4.5	4.4	7.6	7.1	6.7
Denmark	2.5	3.9	1.8	4.4	2.6	1.1	3.1	3.0	2.7	3.3	3.3	3.4
Germany	0.8	2.9	2.5	4.7	5.2	6.9	7.5	7.4	7.4	3.0	3.3	2.6
Estonia	10.2	11.2	7.1	-10.1	-15.7	-15.7	4.3	4.2	4.1	11.5	11.2	11.6
Ireland	6.0	5.7	5.3	-3.5	-4.2	-5.0	5.4	5.6	5.7	3.5	3.7	3.3
Greece	3.8	4.2	4.0	-13.4	-14.4	-16.2	n/a	n/a	n/a	4.5	4.4	4.4
Spain	3.6	3.9	3.8	-7.5	-8.8	-10.0	9.2	9.3	9.6	4.4	4.6	4.2
France	1.7	2.0	1.9	-1.7	-2.2	-2.6	7.8	7.8	7.8	3.2	3.5	3.4
Italy	0.6	1.8	1.5	-1.2	-2.0	-1.7	n/a	n/a	n/a	3.1	3.6	3.6
Cyprus	3.9	4.0	4.4	-5.9	-5.9	-7.3	3.6	3.6	3.6	4.7	4.4	4.3
Latvia	10.6	11.9	10.2	-12.5	-22.5	-22.9	5.3	5.2	5.1	16.5	16.6	17.4
Lithuania	7.9	7.7	8.8	-7.2	-10.5	-13.8	4.6	4.6	4.4	10.9	11.4	11.9
Luxembourg	5.0	6.1	5.2	10.9	10.3	9.1	4.7	4.6	4.7	4.2	4.4	4.3
Hungary	4.1	3.9	1.3	-6.8	-6.5	-5.0	7.6	7.6	7.6	6.7	6.7	6.8
Malta	3.4	3.4	3.8	-8.8	-8.3	-5.5	5.8	5.7	5.7	4.0	4.3	4.1
Netherlands	1.5	3.0	3.5	7.1	7.6	8.4	2.8	2.8	2.8	2.0	1.9	1.7
Austria	2.0	3.3	3.4	3.0	3.5	4.7	4.1	4.1	4.2	3.1	3.5	3.4
Poland	3.6	6.2	6.5	-1.6	-3.1	-3.7	8.1	7.8	7.7	4.6	4.4	4.3
Portugal	0.9	1.3	1.9	-9.8	-9.8	-9.8	7.4	7.4	7.4	2.9	3.1	2.5
Romania	4.2	7.9	6.0	-8.9	-10.4	-13.9	n/a	n/a	n/a	8.0	8.7	8.7
Slovenia	4.1	5.7	6.1	-2.0	-2.8	-4.8	4.3	4.3	4.0	6.4	6.6	6.2
Slovakia	6.6	8.5	10.4	-8.5	-7.7	-5.4	10.0	9.9	10.0	3.4	3.6	3.7
Finland	2.8	4.9	4.4	3.9	4.9	4.4	6.2	6.1	6.0	3.3	3.6	3.3
Sweden	3.3	4.1	2.6	6.1	8.5	6.5	5.6	5.6	5.4	2.9	3.2	3.2
UK	1.8	2.9	3.1	-2.5	-3.9	-4.2	5.0	n/a	n/a	2.5	2.5	3.0
EU	1.9	3.0	2.9	-0.4	-0.9	-0.9	6.7	6.7	6.7	3.5	3.7	3.6

	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
in %	2005	2006	2007	2005	2006	2007	2004	2005	2006	2004	2005	2006
Belgium	-2.3	0.3	-0.2	92.1	88.2	84.9	121.2	121.3	120.0	106.7	106.0	106.2
Bulgaria	-3.6	-2.7	-1.6	29.2	22.7	18.2	33.9	35.4	36.8	42.0	43.1	44.8
CR	-3.6	-2.7	-1.6	29.7	29.4	28.7	75.4	76.7	78.7	55.4	58.4	61.5
Denmark	5.0	4.8	4.4	36.4	30.4	26.0	126.1	126.8	126.0	139.6	139.6	139.2
Germany	-3.4	-1.6	0.0	67.8	67.6	65.0	116.8	115.3	114.3	104.7	103.7	103.3
Estonia	1.8	3.4	2.8	4.5	4.2	3.4	57.0	63.0	68.5	63.0	64.6	66.5
Ireland	1.6	3.0	0.3	27.4	25.1	25.4	142.1	143.9	145.7	125.9	124.8	124.9
Greece	-5.1	-2.6	-2.8	98.0	95.3	94.5	94.0	96.3	97.4	87.6	88.4	89.1
Spain	1.0	1.8	2.2	43.0	39.7	36.2	101.4	103.1	105.1	91.0	92.0	93.3
France	-2.9	-2.4	-2.7	66.4	63.6	64.2	110.5	112.1	111.1	109.9	107.4	107.3
Italy	-4.2	-3.4	-1.9	105.8	106.5	104.0	107.1	105.3	103.5	104.9	104.0	104.1
Cyprus	-2.4	-1.2	3.3	69.1	64.8	59.8	90.6	92.7	92.1	91.2	89.7	90.1
Latvia	-0.4	-0.2	0.0	12.4	10.7	9.7	45.8	50.0	54.2	56.1	57.1	60.6
Lithuania	-0.5	-0.5	-1.2	18.6	18.2	17.3	50.6	53.2	56.2	53.5	55.1	56.6
Luxembourg	-0.1	1.3	2.9	6.1	6.6	6.8	253.6	264.6	279.6	103.0	102.7	103.2
Hungary	-7.8	-9.2	-5.5	61.6	65.6	66.0	63.4	64.3	65.0	62.0	63.5	60.0
Malta	-3.0	-2.5	-1.8	70.4	64.2	62.6	76.9	77.5	77.0	73.2	73.1	73.4
Netherlands	-0.3	0.5	0.4	52.3	47.9	45.4	129.7	131.3	130.8	106.1	104.5	103.9
Austria	-1.5	-1.5	-0.5	63.5	61.8	59.1	129.0	128.9	127.7	103.3	101.9	101.2
Poland	-4.6	-3.8	-2.0	47.1	47.6	45.2	50.8	51.3	52.5	53.2	61.3	62.1
Portugal	-6.1	-3.9	-2.6	63.6	64.7	63.6	74.9	75.5	74.6	87.4	85.3	85.7
Romania	-1.2	-2.2	-2.5	15.8	12.4	13.0	34.1	35.5	38.9	43.3	54.3	57.0
Slovenia	-1.5	-1.2	-0.1	27.5	27.2	24.1	85.4	87.0	88.0	75.5	75.8	75.3
Slovakia	-2.8	-3.6	-2.2	34.2	30.4	29.4	57.3	60.6	63.8	54.9	55.8	58.3
Finland	2.9	4.1	5.3	41.3	39.2	35.4	116.7	115.3	117.1	123.8	123.3	121.7
Sweden	2.2	2.3	3.5	50.9	45.9	40.6	125.2	123.9	124.8	121.4	117.9	117.5
UK	-3.4	-2.6	-2.9	42.1	43.1	43.8	122.2	119.4	118.1	108.5	110.2	110.8
EU	-2.5	-1.4	-0.9	62.6	61.3	58.7	100.0	100.0	100.0	100.0	100.0	100.0

*Source: Eurostat, *) net balance, GDP per capita according to PPP*