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Kok and Bull? Lisbon, The EES and (More) Enlargement

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ABSTRACT

The EU aspires to be the most competitive, full employment economy in the world and has set a number of ambitious targets to be met by 2010 in order that it can achieve this goal. At the same time, it is pursuing an enlargement policy that will witness the accession of an increasing number of less developed nations. This paper explores some of the tensions that exist between these two goals as these are manifest in labour market indicators and finds the likelihood of meeting the deadline set for success remote.

INTRODUCTION

Following a mid-term review (European Commission, 2005), the Lisbon Strategy has been re-launched, streamlined and, it is claimed, simplified (Brussels Council 22-23 March 2005).[1] As part of this process, the guidelines of the European Employment Strategy (EES) and of the Broad Economic Policy Guidelines (BEPG) are now presented jointly in a single annual set of Integrated Guidelines for Growth and Jobs (European Commission, 2005a). Most importantly, however, the original goals established in 2000 have been retained, notwithstanding the failure to achieve the intermediate targets for 2005 set at Stockholm in 2001. During the course of the deliberations that contributed to these decisions, the EU accepted ten new, relatively low income states into membership, eight of which have yet to complete fully their post-communist transitions.

While acknowledging "insufficient progress in reaching the Lisbon Strategy's objectives", the Commission (2005:12), drawing on the work of Kok (2004), foresaw Europe as being able to "draw further strength from its recent enlargement" (*ibid.*:12). It is the contention of this paper that this assertion is incredible, at least within the time-frame set for the achievement of the Lisbon ambitions. The Stockholm targets have been missed by the old EU-15 and the chances of those states meeting the goals set for 2010 are remote, at best (Kok, 2003). Bringing ten new states that are even further away from the objectives set in 2000 into membership hardly improved the prospects. Indeed, the European Council noted in October 2004 that "most New Member States, together with the social partners need to further develop their efforts to modernise their employment policies" (European Council, 2004). What is more, the EU is set to embrace further, even less developed states before the 2010 deadline is reached.

This said, it is not the intention to call into question the rectitude, taken in isolation, of either the Lisbon ambitions or the process of enlargement in whatever form. Rather, it is simply to argue that, in their current configuration, they are highly likely to be incompatible, particularly in view of the constraints placed on the New Member States by the Growth and Stability Pact to which they are obliged to adhere. On the face of it, this might not matter. However, there has emerged increasing pressure for countries that are adjudged to be failing in their efforts to comply with the Lisbon strictures to be admonished publicly (Kok, 2004, 2003). In the case of weaker

[1] All European Councils referenced in this paper can be consulted at : http://ue.eu.int.showPage.ASP?lang=en

entrants, this is unlikely to be conducive to European solidarity. At the same time, Lisbon is at the core of the EU's drive for sustainable improvements in the welfare and living conditions of its citizens. As such, stubborn adherence to verifiable targets that are most unlikely even to be approximated closely is surely not in the interest of the European institutions.

While the EU-25, EU-15, the ten new members (NMS), and individual countries will, as appropriate, form comparators in what follows, attention will primarily be on the impact of impending enlargements on the aspirations of the EES, in particular, and the Lisbon Strategy, in general. Of necessity, the coverage will be both brief and selective. It will focus upon the four countries that, at the time of writing, were officially recognised as being in the accession queue – Bulgaria, Croatia, Romania and Turkey – as well as North Cyprus, which, in principle, could enter into membership at any time. As a prelude to the consideration of this issue, however, the next section will focus upon the chaotic evolution of the EU's employment aspirations. This is followed by an overview of certain of the basic socio-demographic characteristics of the present applicants, why they have so far failed to secure membership and when they might ultimately be admitted. A comparative examination of the performance of these countries against fundamental Lisbon criteria is then undertaken. This highlights more fully the strains between adherence to current targets and further enlargement. A concluding discussion closes the paper.

THE EVOLUTION OF THE EES

The EES was introduced at the extraordinary European Council held at Luxembourg in 1997 first and foremost as an additional weapon with which to tackle Europe's sclerotic unemployment problems, working in tandem with broader macroeconomic and Single Market policies. Its success was from the outset seen to depend on its ownership by a wide audience and their participation in its execution. Effective from 1998, the Strategy was originally based around four main lines of action (improving employability; developing entrepreneurship; encouraging adaptability in businesses and their employees; strengthening the policies for equal opportunities), which were to become 'pillars' in 1999 (European Council, 1999), under which were subtended a number of guidelines. The mainstreaming of employment policies inherent in the Strategy had been foreshadowed in Article 127 of the Treaty establishing the European Community and received confirmation at the Vienna European Council of 11 and 12 December 1998. This section highlights selected milestones in the evolution of the framework of the EES to the present time, with some of its particular concerns being addressed later in the paper.

The year 2000 was significant; both for Europe in general and for the EES, in particular. First, the Council at its Lisbon session, while recognising the challenges posed by globalisation and the new information technology revolution, set the Union the strategic goal for the ensuing decade "to become 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". In order to achieve this ambition, no new process was adjudged to be needed. Rather, the central role of the Luxembourg method, with the EES at its heart, was reaffirmed: all that was necessary was simplification, a greater degree of co-ordination with the Broad

Economic Policy Guidelines (BEPG) and the Cardiff and Cologne processes, and the closer involvement of the social partners. In order to provide its lofty ambitions with some substance, the Council introduced the goal of full employment explicitly and set employment rate targets of seventy per cent overall and of sixty per cent for women, both to be achieved by 2010. In addition, and by the same year, the number of 18-24 year olds with only lower-secondary level education not in further education or training should be halved.

The optimism radiated from Lisbon was largely reflected in the conclusions of the Mid-Term review of the EES for which it called. However, the review's explicit and concentrated recognition of the risks confronting the attainment of the Strategy's goals – perhaps more properly seen as shortcomings in implementation up to that time – did serve to strip away some of the camouflage. Amongst others, the threats were seen to include ongoing regional imbalances, undeclared working, skills gaps, insufficient service sector employment, lack of progress with gender mainstreaming and uneven implementation across the four pillars. In the latter regard, it was noted that while most success had been achieved under the employability column, much remained to be done in the case of adaptability. At the same time, although present from the outset, the review gave fresh emphasis to the need for performance indicators. Indeed, these were seen to be "a key factor for the monitoring, the ultimate credibility of the strategy and the engagement of the social partners" (EMCO, 2000:10), the latter of which was still deemed insufficient. In bringing an eventful year to its conclusion, the Nice European Council of 7-9 December confirmed the centrality of the EES to the success of the European Social Agenda. What is more, it called for the Union to prepare for enlargement with the aim of promoting economic and social progress by helping the applicant countries to take the Strategy on board (Presidency Conclusions: Annex I).

Outwardly, the years 2001 and 2002 represented an era of consolidation and of reinforcement of the messages delivered by earlier Councils. Even so, there were exceptions. In the first place, the pillars and guidelines were now prefaced by a series of horizontal objectives that were meant to cut across all areas of the Strategy. Second, in recognition of the fact that attainment of employment rate targets for 2010 would need steady progress to be made over the intervening period, the Stockholm Council of March 2001 decided to set intermediate targets for January 2005 of sixty-seven per cent overall and fifty-seven per cent for women. This was unfortunate, to say the least. At the same time, it set a new target for 2010 of increasing the employment rate of older workers (55-64) to fifty per cent. The superficial calm was, however, obscuring some quite radical developments.

While stressing that the EES had proved its worth, the Barcelona Council of March 2002 insisted that it must be simplified, but not undermined, and once more called for the role and responsibility of the social partners in the implementation and monitoring of the guidelines to be reinforced. This was followed by the report of the Commission's Mid-Term evaluation of the EES. In many ways this was a rather superfluous exercise, insofar as "the conclusions of the Barcelona European Council have enabled the Commission to identify the four main issues for the reform of the EES that need to be further examined" (European Commission, 2002:17). Nevertheless, certain of its findings are instructive. Thus, while recognising that the then candidate countries faced challenges that were "often more acute" (*ibid.*) than those confronting incumbent Member States, the labour markets in the two blocs were regarded as not fundamentally different and therefore the Lisbon and Stockholm targets should be retained. On the other hand, it did acknowledge that the "current Employment Guidelines are widely perceived as complex" (*ibid*.:19) and also that there should be greater stability in the new, simpler Guidelines, with changes to "be avoided until 2006" (*ibid*.). It also followed the lead delivered at Barcelona that the Guidelines should be synchronised with the BEPGs as soon as was feasible. Explicit recommendations for the new Guidelines were not, however, forthcoming.

In line with the procedures established at Lisbon, the Spring Council of March 2003 laid out the broad structure of the new Guidelines, with the Lisbon and Stockholm targets intact, and demanded the three year perspective noted above. The new format entailed three overarching objectives (full employment; improving quality and productivity at work; social cohesion and inclusion) and a reduced number of ten specific Guidelines. Tellingly, the Spring Council had referred to the former as the three pillars of the Lisbon Strategy; time indeed for simplification. Faux pas, notwithstanding, the Council also called for the establishment of a European Employment Taskforce to carry out an independent in-depth examination of key employment-related challenges and to identify practical reform measures that could have the most direct and immediate impact on the ability of Member States to implement the revised EES and to achieve its objectives and targets.

The Taskforce, chaired by Wim Kok, duly reported in November 2003 (Kok, 2003). Admitting that the intermediate targets for 2005 were evidently going to be missed, its focus set firmly on those for 2010, which it considered were "increasingly unlikely" to be met, unless Member States "step up their efforts" (*ibid*.:11). It identified four essential requirements for success in this venture: increasing adaptability of workers and enterprises; attracting more people to the labour market; investing more and more effectively in human capital, and ensuring effective implementation of reforms through better governance. In effect, the first three of these were simply restatements of the third, fifth and fourth 2003 Guidelines, respectively, while good governance was the stipulation appended to the latter document. Indeed, it does not require a fertile mind to uncover the antecedents of these judgements in the Guidelines from earlier years. It is unsurprising therefore that the Taskforce saw no need to revisit the Strategy (*ibid*.:11). In addition, it called for Member States to be confronted with their specific strengths and weaknesses (*ibid*.:10), although the Joint Employment Reports had been doing this since 2000. The NMS were seen as facing significant challenges, but also as representing an important asset for Europe's stability and growth. While once again not entirely novel, particularly in the face of the demographic configuration of the EU, with its ageing population, the recognition that short-term targets should not mask the need for reforms that have longer-term impacts was one of its more positive contributions (*ibid*.:8).

The unchanged Guidelines for 2004 (European Council, 2004a), along with the advice from the Commission that they were adequate, taken in conjunction with other related policies, and should retain their medium-term orientation (European Commission, 2004), masked further activity. Thus the spring meeting of the Council, while upholding the continuing validity and relevance of the Lisbon process, declared 2005 to be an appropriate point for an in-depth review of its delivery and called upon the

Commission to establish an independent High Level Group, headed by Wim Kok, to assist with this exercise.

The group delivered its report in November 2004 (Kok, 2004) and, while its consequences may create more confusion and notwithstanding the fact that much of what it said was not original, it did contain some useful reminders, a selection of which are now considered. First, Lisbon and the EES are not one and the same; the latter has the central role in delivering the employment objectives of the former. In fact, the EES did not receive explicit mention in the report. However, the wider goals espoused at Lisbon – increased economic growth, more employment, greater social cohesion and environmental sustainability – are interdependent and mutually reinforcing. Second, progress has been hindered by incoherence and inconsistency and this has undoubtedly contributed to the Group's third message that ownership has been insufficiently widely diffused. Fourth, there is an inherent tension between the call for more employment and higher growth that demands technological and human capital advance. Nevertheless, it adhered firmly to the aptness of the 2010 targets but, more importantly, it stressed that these did not represent a one-off objective. If Europe were to attain the desired pre-eminence, it would then need to endeavour to retain it in a constantly evolving world.

The work of the High Level Group fed directly into the Commission's mid-term review of the Lisbon Strategy (European Commission, 2005), which called for a renewed approach focused on growth and jobs. Reference to the EES was made only twice, on pages 24 and 25 of a 31 page document. The review was welcomed by the Spring Council and this called for an immediate re-launch of Lisbon under the growth and employment rubric and comprising a set of integrated guidelines consisting of two elements: Broad Economic Policy Guidelines and Employment Guidelines. The Commission duly presented its recommendations three weeks after the Council (European Commission, 2005a), with those relating specifically to employment being presented as three clear priorities (attract and retain more people in employment and modernise social protection systems; improve adaptability of workers and enterprises and the flexibility of labour markets; increase investment in human capital through better education and skills) under which sit eight guidelines. Rather surprisingly in view of the contributing inputs, the EES remains charged with the leading role in the implementation of the employment objectives of the Lisbon strategy. Notwithstanding the commitments made in 2003, the new approach is to be based on a three-year cycle commencing in 2005, with the targets set for 2010 being retained.

Table 1
The Evolving Structure of the EES

1998	4 main lines of action 13 Guidelines
1999	4 pillars 22 Guidelines Annex on the need for the development of quantitative targets and indicators
2000	4 pillars 21 Guidelines
2001	5 horizontal objectives 4 pillars 18 Guidelines
2002	6 horizontal objectives 4 pillars 18 Guidelines
2003	Integrated Guidelines 3 overarching objectives 10 Guidelines + good governance stipulation
2004	As 2003
2005	3 clear priorities 8 Guidelines

Whether or not the new presentation of the Lisbon Strategy is regarded as an advance, past evidence gives rise to the fear that change will not be long coming, perhaps particularly as the 2010 deadline draws ever nearer. The employment targets were optimistic in relation to the fifteen states to which they were originally addressed, while the EU is set to take in at least two more relatively large transition countries – Bulgaria and Romania – by the time they are supposed to be satisfied. From its inception, the EES quite rightly emphasised the role of a wide range of stakeholders in ensuring its aspirations could be met. The foregoing history of its subsequent evolution, summarised in Table 1, must lead one to question whether they have received the support appropriate for them to play this part: and this doubt applies with even greater force to those countries that have acceded recently or look likely to do so in the foreseeable future. Even those committed to attempting to keep abreast of the Strategy will be frustrated if they follow the old practice of accessing the DG Employment and Social Affairs website: a new 'Jobs and Growth' portal houses the latest developments.

THE CURRENT ACCESSION QUEUE

The Berlin Council of March 1999 agreed a financial perspective for the years 2000-2006 that included provision for up to ten new Member States. At the time, there were twelve applicants in the queue and fast-track negotiations for accession were in progress with six of them: Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia, collectively known as the Luxembourg Group after the Council in December 1997 that heralded the onset of their entry talks. By 2002, the Commission recommended to the Council that ten states actually be admitted in 2004, leaving Bulgaria, Romania and Turkey, which was recognised as a candidate country at the

Helsinki Council in December 1999, to accede at later dates. As of May 2005, there were four countries officially recognised by the EU as applicants for membership: Bulgaria, Croatia, Romania and Turkey.

The negotiations with Cyprus merit additional comment, given that they had been coloured throughout by concerns over the division of the island into ethnic Greek and Turkish Cypriot communities. At Luxembourg, hope was expressed that the country's accession process would help to bring about peace and reconciliation under the aegis of the United Nations. In that context the Council requested that the Government of Cyprus – by which it meant the Greek Cypriot Republic of Cyprus – include representatives of the Turkish Cypriot community in the accession negotiating delegation. To chart the evolution of the Cyprus problem even over the few years since that Council would be to stray too far from the current purpose. It is simply noted that that a bi-communal negotiating team never materialised, although Councils from Helsinki onwards repeatedly expressed the hope that a united island would eventually accede to the Union. In the event, the negotiations were completed with no settlement agreed and the island of Cyprus acceded on 1 May 2004, but with the *acquis* suspended "in those areas of the Republic of Cyprus in which the Government of the Republic of Cyprus does not exercise effective control" (Act of Accession, Protocol No. 10, 16 April 2003, Athens).[2] Thus, while North Cyprus is not a recognised state and neither is it negotiating membership in the sense that the members of the accession queue are, it is here treated as another likely entrant in the foreseeable future, particularly as it would have rather important effects on the labour market and general economic configuration of the island as a whole.[3]

While the EU assists and establishes co-operation relations with numerous countries throughout the world, entry into the accession queue is signalled by the conclusion of Association Agreements (AA), although the precise terminology differs across space and time. Table 2 pinpoints various milestones along the route to membership for the five potential entrants under scrutiny here. As the experience of Turkey makes painfully clear, the existence of an AA is no guarantee that accession is imminent. Likewise, Bulgaria and Romania signed Trade and Co-operation Agreements before the Baltic States and their membership applications were submitted before those of the Czech Republic and Slovenia (Ingham and Ingham, 2004). While it is possible to quibble with the precise detail in Table 2 – Romania, for example, became the first CEE country to establish relations with the then Community when it signed a Generalised System of Preferences Agreement in 1974 – the information it contains highlights the realistic steps that have been made towards entry.

[2] The reunification referendum held on 25 April 2004 attracted support in the North, but was rejected by the South. However, the Annan Plan remains a live document, the new President of N. Cyprus (Mehmet Ali Talat) is disposed towards reunification and, subject to the escape clauses contained within the legislation, the EU stands obliged to accept the North of the island into membership should the rift between the two communities be healed.

[3] In this regard, it is notable that N. Cyprus has to date received no pre-accession funding and a Commission proposal for 259 million euro aid package in response to its support for reunification in the April referendum (European Commission, 2004a) remains stalled within the EU institutions.

Table 2
Pre-Accession Relations

	Application	Earliest Association	Association/Europe Agreement		Entry?
			Signed	Effective	
Bulgaria	Dec. 1995	May 1990[1]	Mar. 1993	Feb. 1995	2007
Croatia	Feb. 2003	Nov. 2000[2]	Oct. 2001[3]	n.a.	2009
N. Cyprus[4]	July 1990	Dec. 1972	Dec. 1972	Jan. 1973	2004
Romania	Jun. 1995	Oct. 1990[1]	Feb. 1993	Feb. 1995	2007
Turkey	April 1987	Sep. 1963	Sep. 1963	Dec. 1964	2015

Notes:
1. Trade and Cooperation Agreement
2. EU autonomous trade measures, placed on a contractual basis by Interim Agreement effective from 1 March 2002, pending entry into force of the SAA (see note 3).
3. Stabilisation and Association Agreement (SAA).
4. The dates for application and entry refer to the Greek Republic, the *acquis* are suspended in N. Cyprus.

The accession criteria set at the European Council at Copenhagen in 1993 are threefold: stability of institutions guaranteeing democracy, the rule of law, human rights and respect for minorities (the political criteria); the existence of a functioning market economy able to withstand the competitive pressures within the Union (the economic criteria); the ability to comply with the *acquis*, including adherence to the aims of political, economic and monetary union. In practice, it would seem that failure to satisfy either the second or the third condition alone will not serve to debar entry. Thus, as stated in the Strategy Paper that recommended admission of the NMS, the Commission noted that the political criteria are "enshrined as constitutional principles in the Treaty on European Union", the economic criteria are "consistent with the principles …. [of] the Maastricht Treaty", while European Councils "have highlighted the importance …. of incorporating the *acquis* into national legislation" (European Commission, 2002a:8).

In the event, all of the entrants in 2004 had transitional arrangements built into the Act of Accession covering various aspects of the free market and the *acquis*. Poland had the largest number of derogations, embracing thirteen of the 31 chapters around which the accession negotiations proceed, while even the Czech Republic, the most observant of the new members, had seven. However, the aforementioned Strategy Paper drew the conclusion in each case that the country "continues to respect human rights and freedoms", without negative qualification, which it was unable to do in the case of Bulgaria and Romania. While not exhaustive, the latter two countries were also adjudged to arouse serious concern over corruption, administrative and judicial reform and their treatment of the Roma.[4] In spite of progress, Turkey was still regarded as having serious deficiencies on all three of the Copenhagen criteria. At the time that these decisions were made, Croatia was yet to apply for membership, while the Strategy Paper simply made repeated calls for the Cyprus problem to be settled.

[4] The Strategy Paper concluded that Bulgaria had a functioning market economy.

To complete this overview of those countries currently in line for accession, Table 3 provides some basic demographic detail, which in turn feeds a brief consideration of other factors that may have hindered their earlier admittance. With the possible exception of Turkey, there is little to distinguish the five from the NMS in terms of life expectancy, a basic development indicator, with only Cyprus and Malta amongst the latter having figures in excess of the average for the EU-15. The population figures, however, do provide scope for conjecture. Having more or less committed itself to admitting the Luxembourg group, while also having set a ceiling of ten on the number of entrants in the 2000-2006 financial perspective, some might argue that Latvia, Lithuania, Malta and Slovakia were almost self-selecting as 2004 entrants. In particular, their combined population was only 11.5 million in 2004: it would have been hard to admit only one of the two remaining Baltic States without the other, there was always controversy about placing the Czech Republic ahead of Slovakia in the accession queue and Malta, with only 400,000 inhabitants, was almost a free good.

Table 3
Basic Socio-Demographic Indicators

	Population (1000)			Life Expectancy at Birth 2005
	2004	2010	2015	
Bulgaria	7801.3	7438.8	7130.3	73.0
Croatia	4442.2	4532.0	4454.0	75.7
N. Cyprus	219.2	231.0	238.0	73.0[1]
Romania	21711.3	21345.3	20916.7	72.1
Turkey	71254.0	78081.0	82640.0	69.7
NMS (Average)	74141.6	73401.3	72580.0	72.6 - 79.2 (75.4)
EU-15 (Average)	377087.4	390652.2	394726.5	77.8 - 80.8 (79.3)

Sources: 2004 population data from Eurostat (2004), except N. Cyprus from State Planning Organization (2004). 2010, 2015 population estimates from Eurostat online database, except Croatia and Turkey from UN World Population Prospects: The 2004 Revision Population Database and N. Cyprus from data supplied by State Planning Organization. Life expectancy from UN World Population Prospects: The 2004 Revision Population Database, except N. Cyprus from State Planning Organization (2004a).
Notes:
[1.] Average figure for males and females, 2000.

Irrespective of the progress it makes with reform, Turkey's population, which is forecast to equal that of Germany by 2015, is a clear brake on its progress towards accession. Indeed, it has been stated that it will not be admitted before the end of 2007-2013 financial perspective (European Commission, 2004b). However, this has also been linked very publicly to its religious composition, with its population being almost entirely Muslim. It might be noted that this issue has never been raised in the context of N. Cyprus, a community with a very similar religious make-up, but a tiny population, or in the case of Bulgaria, which is over ten per cent Muslim. Perhaps paradoxically, France has been the most vociferous opponent of Turkish membership; at least in part on religious grounds, but it itself has a population that is ten per cent Muslim. Nonetheless, it would be unwise to emphasise the population and religious difficulties in isolation, with the Commission concluding that "[a]ccession of Turkey to the Union would be challenging for both the EU and Turkey……..because of the combined impact of Turkey's population, size, geographical location, economic, security and military potential, as well as cultural and religious characteristics" (European Commission, 2002a:4). What is more, within Poland fears have been expressed about the subsidies that Turkey would draw from the EU, which would undoubtedly reduce those available to current beneficiaries, although President Kwaśniewski has repeatedly stated his support for Turkish membership.

However central to the EU's economic and social ambitions it might be, this brief section has sought to highlight the fact that the EES does not exert an overwhelming influence on enlargement decisions. Indeed, four of the ten NMS's claimed transitional relief under the employment and social policy chapter of the accession criteria, while none secured derogations under justice and home affairs. Nevertheless, the recent and forthcoming expansions have important implications for the goals set at Luxembourg and subsequent Councils, with some examples taken up below.

INDICATORS, TARGETS AND DEADLINES

The re-launched Lisbon Strategy is focused upon growth and employment, although the link between the two had been gradually forged more tightly together from the launch of the EES onwards. Few would question the overall ambition – for Europe to become the most competitive economy in the world – although more might highlight the tension between this and the retention of the Social Agenda. The issue here, however, is the credibility of the deadline of 2010 for the achievement of the concrete targets embodied in the Strategy, particularly in view of the enlargement round undertaken recently and those proposed for the near future. In certain areas, some EU Member States, usually small northern ones, are amongst the world's leaders but many, even from the ranks of the old fifteen, lag woefully behind. Without claiming any rigour, a rule of thumb adopted here is that leadership would require all to perform no worse than the top quintile in the EU-25 (Q1). This metric will be one of the criteria employed in the following exploration of how the members of the current queue would impact on the aspirations of the Strategy.

Growth

Lisbon is now explicitly a growth and jobs package and it is therefore natural to begin with an examination of the relative economic performance of the current aspirant members over recent years on the first of these counts. To this end, Table 4 examines GDP growth rates from 1995 onwards. The last three years for which data is available were clearly relatively benign to the aspirants, although, with the exception of N. Cyprus in 2003, they were outperformed by at least one NMS and often by one or more of the EU-15.[5] In fact, over the full decade covered, Ireland returned the

[5] Particular care should be taken when attempting to interpret the N. Cyprus data, given that the weights employed are over twenty-five years old.

highest average growth rate and the countries queuing for entry did not grow as quickly as a number of the 2004 entrants, most particularly the Baltic States. In any event, by 2004, only Croatia had achieved a per capita income level above the poorest NMS (Latvia), while Bulgaria and Turkey had actually regressed in relative terms and, not withstanding its recent growth, N. Cyprus was the poorest of all.

There are, of course, various reasons to believe that membership, or even the promise of it implicit in genuine candidate status, will impact beneficially on the economies of applicant countries (Baldwin *et al*., 1997). After all, that is at least in part what enlargement is about. However, even if Romania were to continue growing at 8.3 per cent per annum, it would still take it twelve years to catch up with Portugal, the poorest EU-15 Member State that is also its slowest growing, assuming the latter maintained its 2004 growth rate of one per cent. In terms of the benchmark upper quintile, the UK had a standardised GDP in 2004 of 119.9 and a growth rate of 3.1 per cent. Given unchanging rates of expansion, it would take Romania twenty-seven years to close the gap. To take a different example, for how long can the north of Cyprus be expected to grow faster than the south, a republic that has a GDP just four-fifths of the EU-25 average?

Table 4
GDP: Annual Constant Price Growth Rate (1995 = 100) & 2004 Level per Head

	1995-98[1] (ave.)	1999-2001[1] (ave.)	2002	2003	2004	GDP/Head PPS 2004 (EU-25 = 100)
Bulgaria	-2.0	3.9	4.9	4.5	4.5	30.9
Croatia	5.1	2.1	5.2	4.3	3.7	46.1
N. Cyprus[2]	3.2	0.0	6.9	11.4	9.6	23.0
Romania	n.a.	2.2	5.0	4.9	8.3	31.4
Turkey	6.2	-0.4	7.9	5.8	7.7	28.8
NMS (Average)	0.8-6.2 (4.0)	2.4-6.1 (3.8)	1.4-7.2 (3.9)	-1.8-9.7 (4.1)	1.5-8.5 (5.0)	43.7–81.4 (60.7)
EU-15 (Aggregate)	1.5-9.4 (2.4)	1.9-9.0 (2.7)	0.1-6.1 (1.0)	-1.1-4.7 (0.8)	1.0-5.4 (2.3)	73.3-216.7 (108.9)
Q1 EU-25	5.1	4.6	4.6	4.5	5.4	119.9

Sources: Eurostat online database, except N. Cyprus from State Planning Organization (2004).
Notes:
1. Simple averages of annual growth rates.
2. The N. Cyprus figures refer to annual GNP growth at 1977 Turkish Lira prices. The 2004 figure is an estimate. The figure in the last column relates to GNP per head evaluated at the market exchange rate for the year 2003.

Total employment rates

While this paper is overtly critical of its setting of implausible targets, the rationales underlying the Lisbon Strategy are impeccable. One of the most important is the fact that Europe is confronted with an ageing population, combined with rising life expectancies, which will increase the dependency rate and threaten the social model unless action is taken to combat the consequences. While increased productivity growth is clearly one necessary response, increasing the supply of workers below the retirement age, which itself is likely too low, is another. Although not an issue confronted directly in this paper, the dilemma posed is that those who might be attracted into employment tend to exhibit low productivity. Nevertheless, some of the changes sought to alleviate this threat are explored more fully below. At the same time, working age females represent a considerably under-utilised resource in most economies, which underpins the inclusion of the sixty per cent employment rate target for them set at Lisbon.[6]

Given that the revised Lisbon Strategy adheres to the original targets set for the year 2010, Table 5 presents the total employment rates prevailing in 2000 and 2004, as well as those for males and females separately, for the three blocs of countries under scrutiny. One message from those applicants for which data are available is stark: Romania and Turkey are simply going backwards. Bulgaria, on the other hand, did experience growth, although it still lags behind all of the EU-15 and out-performs only Malta and Poland from amongst the NMS in terms of its aggregate employment rate. Its record in the case of females is slightly better, insofar as their rate for 2004 exceeded that in Greece, Spain, Italy and Luxembourg amongst the EU-15 and Malta and Poland from the NMS. However, the first three of these countries experienced greater percentage point increases between 2000 and 2004 than Bulgaria, which in any event has a lower figure than both the average of the NMS and the EU-15 aggregate. Overall, Croatia and N. Cyprus appear to be similar to Bulgaria, although the second of those countries has a female employment rate that exceeds only Malta's amongst current Member States. The picture in Turkey is worse than that prevailing in any of the EU-25 by a considerable margin and the gender differential in employment rates is strikingly high. With the exception of N. Cyprus, the admission of the other three applicants into the Union would not significantly worsen the difference between male and female employment rates. However, it is clear that future expansions will, as things stand, render the targets of seventy per cent in total and more than sixty per cent for women by the end of the decade look even more forlorn. Indeed, the overall target was not even met by the upper quintile observation within the EU-25 by 2004.

[6] Gender mainstreaming remains central to the EES, hence the policy of identifying females and males separately adopted throughout this paper.

Table 5
Employment Rates: 2000 & 2004

	Total		Females		Males	
	2000[1]	2004[2]	2000[1]	2004[2]	2000[1]	2004[2]
Bulgaria	50.4	54.2	46.3	50.7	54.7	57.9
Croatia	n.a.	53.4	n.a.	46.7	n.a.	60.3
N. Cyprus	n.a.	54.6	n.a.	37.5	n.a.	71.6
Romania	63.0	57.8	57.5	52.3	68.6	63.4
Turkey	48.8	45.8	25.8	25.7	71.8	65.9
NMS (Average)	54.2-65.7 (59.3)	51.7-69.3 (60.5)	33.1-58.4 (52.0)	32.5-60.5 (53.2)	60.5-78.7 (66.7)	57.2-80.1 (67.8)
EU-15 (Aggregate)	53.7-76.3 (63.4)	57.7-75.7 (65.0)	39.6-71.6 (54.1)	45.2-71.6 (57.2)	68.0-82.1 (72.8)	67.9-80.3 (73.1)
Q1 EU-25	68.5	69.3	63.5	65.6	77.3	75.9

Sources: Eurostat online database for 2000 and 2004, except Germany and EU-15 aggregate, which are from Eurostat (2005), and N. Cyprus, which were supplied by the State Planning Organization from the October 2004 LFS.
Notes:
1. Annual LFS for 2000.
2. All data are averages of four LFS quarters except Bulgaria, Romania, Malta, Belgium, Greece, Ireland, Netherlands and Finland, which are averages of first three quarters; Cyprus, Lithuania, Germany and EU-15 are averages of quarters two and three; Croatia, Turkey and Luxembourg are from 2003 LFS.

In the context of raising employment rates, the limitation of early retirement has a very important part to play: in the words of the High-Level Taskforce, "older workers are key" (Kok, 2004:33). To this end, a target of fifty per cent for the employment rate of older workers (55-64) by 2010 was set at Lisbon. As shown in Table 6, none of the current queue members come remotely close to this goal and all lie below the average for the NMS. However, Hungary is the fifth best performer amongst the latter countries with an aggregate rate of just 31.1 per cent, while Poland, by far the largest of the new entrants, exhibits the worst performance of any EU-25 Member State. Even though five established Member States, along with Estonia and Cyprus, have already met the target, the severity of the hurdle to be surmounted in just five years is evident, particularly as it must be stressed that the recent experience of Bulgaria, with strong employment growth for both men and women, is mirrored only in Latvia. Even if the target were to be restated as referring simply to males, ten members of the EU-25 would currently fail to meet it, as would all of the applicants.

Table 6
Employment Rates of Older Workers (55-64): 2000 & 2004

	Total		Females		Males	
	2000[1]	2004[2]	2000[1]	2004[2]	2000[1]	2004[2]
Bulgaria	20.8	32.7	10.3	24.4	33.2	42.2
Croatia	n.a.	28.4	n.a.	20.3	n.a.	38.1
N. Cyprus	n.a.	26.4	n.a.	11.3	n.a.	42.6
Romania	49.5	36.4	43.8	31.1	56.0	42.4
Turkey	36.3	33.5	20.8	22.1	52.4	45.4
NMS (Average)	21.3-49.4 (33.2)	26.2-52.4 (38.5)	8.4-39.0 (22.0)	11.5-49.4 (27.8)	32.3-67.3 (46.2)	34.2-71.3 (50.7)
EU-15 (Aggregate)	26.3-64.9 (37.8)	28.8-69.1 (41.7)	15.3-62.1 (28.0)	19.3-67.0 (32.1)	33.6-67.8 (48.0)	38.9-71.2 (51.6)
Q1 EU-25	49.4	50.9	40.4	47.0	62.1	65.0

Sources: Eurostat online database for 2000 and 2004, except Germany and EU-15 aggregate, which are from Eurostat (2005), and N. Cyprus, which were supplied by the State Planning Organization from the October 2004 LFS.
Notes:
1. Annual LFS for 2000.
2. All data are averages of four LFS quarters except Bulgaria, Romania, Malta, Belgium, Greece, Ireland, Netherlands and Finland, which are averages of first three quarters; Cyprus, Lithuania, Germany and EU-15 are averages of quarters two and three; Croatia, Turkey and Luxembourg are from 2003 LFS.

Unemployment

Given that the EES was drawn up originally as a response to stubbornly high unemployment rates in the EU-15, it is perhaps a little surprising that it contains no explicit target, or target range of the type contained in the Exchange Rate Mechanism (e.g. Read, 2002), on that score. Rather, the goal is stated simply as that of full employment, which is a rather harder concept for many to comprehend and monitor. It is of course possible to argue that the employment rate targets discussed above capture this dimension, although they are arbitrary and fall foul of all manner of complications, including that between full and part-time work. Indeed, such has been recognised in policy circles, at least implicitly (e.g. Kok, 2004:15&32), although no concrete monitoring indicators have yet been suggested openly.[7] Nevertheless, unemployment remains a central concern in the Employment Guidelines, as is the desire to bring about reductions in gender gaps in jobless rates. Table 7 presents the relevant summary information on these matters.

With the exception of Poland and Slovakia, which have had stubborn unemployment problems for many years, both Bulgaria and Croatia exhibit high aggregate jobless rates, even for transition economies, which lie above any of those observed in the EU-15. Nevertheless, the situation in Bulgaria has improved considerably during the course of the current decade. Romania, on the other hand, has a rather low unemployment rate, although this is likely to be due, at least in part, to the configuration of its economy, an issue that it is taken up later in the paper. Both N.

[7] This is not to say that measured unemployment rates are themselves not without problems of interpretation.

Cyprus and Turkey had relatively high unemployment rates in 2004, with that in the latter having grown by more than fifty per cent over the previous four years. The gender differentials evident within the labour markets of the queuing economies are varied. In Croatia, the disadvantage confronting women in 2004 was actually slightly less than that in the EU-15, although the position in N. Cyprus was worse than in any of the twenty-five Member States. That Bulgaria, Romania and Turkey had lower female than male unemployment rates places them alongside only four current EU members. In all seven of these cases, the picture was unchanged between 2000 and 2004, suggesting that these are not just chance observations. However, as one further reminder of just how difficult it will be to meet the Lisbon targets, it will be noted how the upper quintile observation for both female and male unemployment rates within the EU-25 shifted upwards between these years.

Table 7
Unemployment Rates by Sex: 2000 & 2004

	Total		Females		Males	
	2000	2004	2000	2004	2000	2004
Bulgaria	16.4	11.9	16.2	11.5	16.7	12.2
Croatia[1]	n.a.	14.3	n.a.	16.1	n.a.	12.9
N. Cyprus	n.a.	9.4	n.a.	14.3	n.a.	6.6
Romania	6.8	7.1	6.3	5.9	7.2	8.2
Turkey	6.5	10.3	6.3	9.0	6.6	10.8
NMS (Average)	5.2-16.4 (11.1)	5.0-18.8 (9.9)	5.6-18.6 (11.4)	6.3-19.7 (10.6)	3.2-18.9 (11.0)	4.0-18.0 (9.4)
EU-15 (Aggregate)	2.3-11.3 (7.6)	4.2-10.8 (8.0)	3.1-17.2 (9.3)	3.9-16.2 (9.3)	1.8-9.1 (6.4)	3.4-8.7 (7.1)
Q1 EU-25	4.4	4.7	4.8	5.3	3.3	4.9

Sources: Eurostat online database for 2000 and 2004, except Croatia, which is from Eurostat (2005), and N. Cyprus, which were supplied by the State Planning Organization from the October 2004 LFS.
Notes:
1. Data for Croatia are quarter three 2003.

Having examined one aspect of the composition of unemployment, namely its distribution across the sexes, attention now focuses on two further facets that were of concern to the framers of the original EES: “The European Council draws attention to the particular importance of preventive measures to reverse the trend of youth unemployment and long-term unemployment” (Luxembourg Council, 1997). At the time, 47.8 per cent of the unemployed had been without work for twelve months or more and 20.5 per cent of the economically active aged less than twenty-five were without jobs. Even though some improvement can be observed, these issues remain matters of contemporary concern, both in the name of cohesion and of maximising the use of the available labour potential, with the situation in recent years being presented in Table 8.

Table 8
Composition of Unemployment Stocks: 2000 & 2004

	Long-Term Unemployment (% of stock)[1]		Youth Unemployment (% of workforce aged < 25)[2]	
	2000	2004	2000	2004
Bulgaria	57.1	59.4	33.7	24.4
Croatia[3]	n.a.	59.5	n.a.	n.a.
N. Cyprus	n.a.	n.a.	n.a.	23.6
Romania	51.7	59.6	17.2	21.4
Turkey	20.4	23.4[3]	13.0	20.5[3]
NMS (Average)	25.7-61.4 (49.5)	27.2-64.8 (48.9)	11.5-37.1 (22.0)	10.6-39.5 (20.9)
EU-15 (Aggregate)	21.8-61.8 (46.4)	19.3-52.9 (41.1)	5.3-29.2 (15.2)	8.0-26.9 (16.5)
Q1 EU-25	26.9	26.8	7.2	12.1

Sources: Eurostat online database, except Turkey, which is from the Turkish State Institute of Statistics Labour Force Database, and N. Cyprus, which were supplied by the state Planning Office from the October 2004 LFS.
Notes:
1. Average of available quarters.
2. Annual figures.
3. 2003 figure.

The rate of long-term unemployment remains one of the key structural indicators recommended by Kok (2004) for monitoring progress towards the Lisbon targets: clearly, in order to ease the re-integration of the unemployed back into work, the jobless stock must not be a static pool. It must be noted, however, that the present approach is somewhat different to that adopted in the Lisbon indicators package, which focuses on long-term unemployment as a proportion of the total active population. The contention here is that many workers will never experience anything other than purely transitory unemployment and it is those without jobs who represent the real population at risk.

A truly inclusive labour market would exhibit no long-term unemployment. This of course is unrealistic, but then begs the question of what is tolerable? Without attempting to provide an answer, it must surely be the case that situations in which a newly unemployed person has a fifty per cent chance of being in the same state one-year later are not. This, however, was true of Bulgaria, Croatia and Romania in 2004. Greece was the only EU-15 Member State in the same position, although half of the new entrants fell into this category and Slovakia had the worst problem of all. The picture in Turkey, on the other hand, compared favourably with the EU-25 upper quintile. Nevertheless, it shared the same fate as the other applicant countries for which data are available in witnessing deterioration during the course of the previous four years.

Young people remain central to the thinking of the institutions of the EU, particularly in view of the increased urgency attaching to the reality of an ageing population. As such, the proposed integrated guidelines call for fuller utilisation of the potential embodied in them (European Commission, 2005a), while the subsequent Council of

March 2005 called for the adoption of the European Youth Pact as a fully integrated part of the Lisbon Strategy. Excluding the pathological cases of Poland and Slovakia, youth unemployment rates in the five applicants are relatively high and, in the cases of Romania and Turkey, trended upwards. In Bulgaria, on the other hand, a steady improvement in the situation of young people has been observed, although their unemployment rate in 2004 remained in excess of that in all EU-15 members, except Greece. The rather large increase in the figure for the headline quintile in the EU-25 is yet another indication of the loftiness of the Lisbon ambitions.

Human capital and lifelong learning

One of the three priorities of the revised Employment Guidelines is to increase investment in human capital through better education and skills (*ibid*.:29). In particular, it calls explicitly for a reduction in the number of early school leavers, increased access to secondary and higher education, more lifelong learning and a substantial increase in public, as well as private, investment in human resources. As the Employment Taskforce put it, Europe needs to be "investing more and more effectively in human capital" (Kok, 2003:8). In this regard, the May 2003 European Council at Brussels set, amongst others, the following objective benchmarks for education and training to be achieved by 2010: an EU average of no more than ten per cent early school leavers, at least eighty-five per cent of twenty-two year olds completing upper secondary education, at least 12.5 per cent of 25-64 year olds participating in lifelong learning. These issues are addressed here, with Table 9 providing the necessary detail.

Some progress can be ascertained in terms of early school leaving between 2000 and 2004, although success was not universal within any of the three blocs under scrutiny and most countries fail to meet the targets by some margin. While the rates in Bulgaria and Romania are high, they are not of the magnitude of those in Malta, Portugal and Spain. Croatia, on the other hand, already complies with the benchmark. The gender gaps to be observed within the EU-25 in early school leaving are generally striking and, in most cases, in favour of young women. The aspirant member countries adhere to the typical ranking, but the differentials between the sexes are quite small. Until school leaving rates are brought down towards the targets, Europe's aspiration to be the most competitive and dynamic economy in the world appears shallow.

The gender gap is also evident in secondary school attainment and Croatia once again stands out amongst the applicants as having already satisfied the target, although this is also true of the majority of the ex-communist NMS and is satisfied in North Cyprus in the case of females. Neither Bulgaria nor Romania, on the other hand, meets it and their rate of progress would not allow them to do so by 2010. One obvious question in this instance relates to the quality and labour market relevance of the education received: Poland and Slovakia had already met the target by 2000 and continue to do so but, as noted above, both have experienced extremely high rates of youth unemployment for many years. Only Sweden from the EU-15 currently meets the criterion in the case of males and none of the five largest established Member States – France, Germany, Italy, Spain and the UK – do so in the case of females.

While many countries from CEE appear to have quite favourable schooling records, the same cannot, in general, be said of their propensity to provide training to older workers, as explored in more detail elsewhere (Ingham and Ingham, 2003). The applicant states from that region are no different from that norm and they are even out-performed by N. Cyprus, although their record is even worse than that of those already admitted to the EU, with only Slovenia from the NMS achieving the lifelong learning target. In addition, two-thirds of the EU-15 have yet to reach the benchmark and six are not halfway there. What is more, while the statistics suggest that the upper quintile perform very well, the leaps in participation observed in Sweden in just four years – sixteen and twelve percentage points for females and males, respectively – are suspicious.

Table 9

Education and Training: 2000 & 2004

	Early School Leaving[1]				Enhanced Educational Attainment[2]				Lifelong Learning[3]			
	Females		Males		Females		Males		Females		Males	
	2000	2004	2000	2004	2000	2004	2000	2004	2000	2004	2000	2004
Bulgaria	19.5[4]	20.7	21.1[4]	22.1	77.1	77.2	72.8	74.8	1.4[4]	1.4	1.5[4]	1.1
Croatia	n.a.	6.7[5]	n.a.	10.0[5]	n.a.	92.1[5]	n.a.	89.5[5]	n.a.	2.1[5]	n.a.	2.1[5]
N. Cyprus	n.a.	n.a.	n.a.	n.a.	n.a.	86.0	n.a.	80.3	n.a.	5.0	n.a.	5.1
Romania	21.3	22.4	23.3	24.9	77.0	75.8	73.1	73.8	0.8	1.6	1.0	1.6
Turkey	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EU-10 (Average)	5.6-56.1 (17.2)	2.6-43.1 (11.8)	9.3-52.5 (19.9)	5.8-46.6 (16.3)	40.2-94.4 (85.4)	48.7-93.7 (85.2)	41.6-94.5 (78.8)	47.1-91.1 (78.5)	3.2-8.2 (5.0)	4.4-19.8 (8.4)	1.9-6.9 (4.1)	3.9-16.1 (6.6)
NMS (Aggregate)	6.2-35.1 (17.1)	5.8-30.6 (15.6)	9.2-50.1 (21.6)	9.3-47.9 (20.4)	51.6-89.9 (76.6)	58.8-88.6 (76.3)	34.0-85.6 (70.6)	39.4-85.1 (70.6)	1.1-24.4 (8.9)	3.8-40.3 (10.9)	1.1-19.2 (8.0)	3.5-31.5 (9.3)
Q1 EU-25	9.9	6.5	11.3	9.3	89.8	91.2	84.5	85.1	14.7	17.0	16.4	16.2

Source: Eurostat online database, except N. Cyprus, which were supplied by the State Planning Organization from the October 2004 LFS.

Notes:

1. Per cent of population 18-24 with at most lower secondary education, not in FE or training.
2. Per cent of 20-24 year olds completed at least upper secondary education – ISCED 3-4.
3. Per cent of 25-64 year olds participating in education and training.
4. 2001
5. 2003

As shown in Table 10, only Croatia from among the applicant countries devotes a greater proportion of its GDP to education than the EU-25's lowest spending states in this area, Greece and Luxembourg.[8] What is more, notwithstanding its rather healthy growth performance, expenditure in Bulgaria actually declined between 2000 and 2002, while the general trend was in the opposite direction, with the NMS posting the largest increases. While obviously an input rather than an outcome, these figures do provide at least one context within which to judge the schooling figures presented above and should be seen in the light of what (Kok, 2004:16) viewed as an insufficient level of investment in education within the EU-25.

Table 10
Public Expenditure on Education (% GDP)

	2000	2002
Bulgaria	4.4	3.6
Croatia	n.a.	4.3
N. Cyprus	n.a.	n.a.
Romania	2.9	3.5
Turkey	3.5	3.6
NMS (Average)	4.0-6.1 (5.1)	4.4-6.8 (5.5)
EU-15 (Aggregate)	4.0-8.5 (5.0)	4.0-8.5 (5.2)
Q1 EU-25	6.1	6.3

Source: Eurostat online database

R&D and new technology

While the Lisbon Council noted the importance of research and development (R&D) for the generation of growth, employment and social cohesion, the Barcelona Council in 2002 specified the target of three per cent of GDP to be spent on R&D by 2010, two-thirds of which should be financed by the private sector. This goal appears extremely ambitious; only Finland and Sweden had achieved the benchmark by 2003 while six of the NMS, along with Greece and Portugal, spent less than one per cent of GDP on R&D in that year. Once again, as shown in Table 11, Croatia was the only one of the applicant countries to overcome even this basic hurdle. While the upper quintile of Member States more or less met the private sector funding target, it is evident that R&D remains a largely public concern in most other countries. Whether public or private, however, movement towards the Barcelona ambitions requires not only the right legal and fiscal incentives, but also an economy that is growing at a healthy rate, which Europe has found difficult to achieve on an ongoing basis.

[8] The Luxembourg observation is no doubt driven in part by considerations of diminishing returns, given its massive GDP advantage over all other Member States.

Table 11
R&D and New Technology

	R & D Expenditure		ICT Expenditure
	% of GDP 2003	% Financed by Industry 2002	% of GDP 2004
Bulgaria	0.5	24.8	1.6
Croatia	1.1[1]	45.7	n.a.
N. Cyprus	n.a.	n.a.	n.a.
Romania	0.4	41.6	0.3
Turkey	0.7[1]	41.3	n.a.
NMS (Average)	0.3-1.5 (0.8)	17.4-60.0 (36.0)	1.4-2.8 (2.1)
EU-15 (Aggregate)	0.6-4.3 (2.0)	29.7-90.7 (56.0)[2]	1.3-4.4 (3.0)
Q1 EU-25	2.3	65.5	3.5

Source: Eurostat online database.
Notes:
1. 2002
2. 2001

Much is made of the potential of information and communication technology (ICT) to boost growth and thereby employment and cohesion (Kok, 2004), with the European Council at Seville in 2002 endorsing the Commission's *e*Europe 2005 Action Plan. Numerous potential indicators exist and have been used in this field, including households with internet connections, employees using the internet at work, enterprises with a website and so on. Although, in common with many of the alternatives, it is really an input measure and not a tangible outcome, here Table 11 presents ICT expenditure as a percentage of GDP. While no explicit target has been set in this case, the data do expose large differences between the European economies. As might be expected, the leading countries in this area are established Member States, with standardised ICT expenditures ten times greater than those being undertaken in Romania. While the situation in Bulgaria looks much healthier, its expenditure exceeds only that in Lithuania amongst the NMS and Greece within the EU-15.

Economic structure
If the Lisbon Strategy is to achieve its goals, it must be supported by modern economies. This issue, which is surely one of the most telling in the context of the timeframe adopted at Lisbon, is the final one to be addressed in this overview. To this end, Table 12 is devoted to a comparison of the distribution of employment across countries within the EU and those awaiting entry. The results merely serve to reinforce the futility of retaining the deadline of 2010 while simultaneously pursuing further enlargement. Indeed, even though highly aggregated, they highlight just how difficult it would be to achieve the goal even within the confines of the EU-15.

The most glaring problem relates to the agricultural intensity of the economies in the accession queue, particularly in the context of a Union that has only just accepted Poland, its sixth largest state, with at least eighteen per cent of its workers in farming, into membership.[9] When it joins, Romania will be the seventh largest EU country, while Turkey is likely to be its most populous. As the Polish experience demonstrates, the redistribution of agricultural workforces of such size to higher value added activities is an enormous task and not one that proceeds rapidly. Indeed, the importance of farming in Portugal actually increased from ten to twelve per cent of total employment between 1992 and 2003, while the rate of redeployment in Greece, the most agricultural country in the EU-15, has slowed markedly.

As reaffirmed in Kok (2004), there is no necessary merit in shrinking the manufacturing sector simply to feed services: at the core of the Lisbon is merely the determined creation of a knowledge society that is able to adapt to new technologies and innovate constantly. Nevertheless, manufacturing in the transition economies was certainly overly large and often obsolete and, for the purpose of illustration, the top quintile encompasses the five smallest industrial sectors in the EU. That the current applicants have industrial sectors that are not too dissimilar in size to EU norms can in large part be explained by the importance of farming. However, N. Cyprus represents a noticeable outlier, with the roots of its stunted manufacturing activity to be found in part in the trade restrictions imposed on the territory for many years (Ugur, 2003), although it also possesses an extremely large construction sector, which is not recorded in the table.

The corollary of the above findings is that the applicant countries have rather small service sectors, with the first quintile for the EU-25 in this case formed from the largest down. In forming judgements in this area, however, the question of composition is particularly important and Table 12 highlights data on four individual tertiary industries. The first of these is hotel and catering, which is generally seasonal and frequently offers jobs of low quality, problems that the EES also seeks to address, although the EU institutions have increasingly emphasised tourism's potential in the new economy (ESCOR, 2003; European Commission, 2000).[10] With the exception of Romania, the candidate countries would not serve to reduce overall European reliance on such activity and its importance in the applicants could be expected to increase as membership becomes a reality.[11] The three largest applicant states have financial sectors that are smaller than those found in all EU countries except Lithuania, while that same country is the only Member State to have a lower employment share in real estate than in any of the applicants. Critically in terms of Europe's social aspirations, only Greece and Slovenia have lower proportions of their workforces devoted to health than Bulgaria and Croatia, while the other queuing countries have the smallest sectors of all. Such employment structures make 2010 seem uncomfortably close.

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[9] The figures in Table 12 are taken from Labour Force Surveys, which in the case of Poland at least have been argued to provide under-estimates of farm employment (Ingham and Ingham, 2004).
[10] Hotel and catering represents only a fraction of the tourism related sector, which includes construction, retail, travel services etc.
[11] The usual contention is that granting direct flights to N. Cyprus would in itself be enough to stimulate its tourism industry.

Table 12
Distribution of Employment 2003 (%)[1]

	Agriculture	Manufacturing	Services	Of which:			
				Hotels & Restaurants	Financial Intermediation	Real Estate & Business Services	Health & Social Work
Bulgaria	10.1	23.9	57.1	4.5	1.1	4.1	5.5
Croatia	16.8	19.1	53.5	5.5	2.1	4.2	5.7
N. Cyprus	14.5	6.6	56.5	4.4	2.5	n.a.	2.1
Romania	35.7	21.7	34.5	1.3	0.9	1.6	3.8
Turkey	33.9	17.3	43.3	4.0	1.1	2.4	2.5
NMS (Aggregate)	2.5-18.7 (12.4)	11.0-29.7 (21.9)	53.2-71.9 (55.6)	1.7-8.8 (2.7)	0.9-5.0 (2.0)	4.1-8.2 (5.6)	4.4-6.9 (6.2)
EU-15 (Aggregate)	1.2-16.3 (4.0)	10.3-23.0 (18.7)	54.2-77.8 (68.3)	2.4-7.0 (4.1)	1.7-10.7 (3.4)	4.7-13.2 (9.4)	4.3-18.3 (10.0)
Q1 EU-25	2.5	13.9	73.6	6.3			

Sources: EU-25 from European Commission (2004c); Bulgaria, Croatia, Romania and Turkey from ILO LABORSTA Database; N. Cyprus from State Planning Organization (2004).

Notes:

1. Mining, the utilities and construction are excluded, therefore the first three columns do not sum to 100.

CONCLUSION

The Strategy unveiled at Lisbon and the EES that is embedded within it are ambitious programmes that aim to overcome weaknesses in the European economy and set it on a virtuous path of growth, job generation, modernisation and social cohesion. While they contain tensions that will always necessitate trade-offs, the overall direction in which they point makes a good deal of sense in what is supposed to be a Single Market economy. However, their success depends upon their widespread acceptance throughout society and upon action by stakeholders to assist in making them effective. This, however, depends on clear communication from the centre outwards and the record on this score has, to date at least, been poor. At the same time, the setting of patently unrealistic targets centred on the year 2010 does not aid the credibility of the efforts and may even be counterproductive, insofar as it tempts national governments to devote resources to the satisfaction of quantitative input indicators to the detriment of the attainment of the ultimate goals of competitiveness and cohesion.

Moreover, while perfectly reasonable arguments can be adduced for investing some of the EU's growth dividend in the enlargement project, subject to certain potential, conspicuous exceptions, this will inevitably involve countries at relatively low levels of development. Even if membership, or the promise of it, brings benefits to the applicants, is it reasonable to assume that it will elevate the countries concerned to the level of Europe's best? After all, Portugal, which acceded in 1986, exhibits few signs of converging to the core on most Lisbon criteria. Indeed, even the performance of Italy, a relatively large founder member of the European Community, would not withstand closer scrutiny.

The adoption of 2010 as a watershed is also gratuitous inasmuch as the goal is for the attainment of sustainable development. This criticism has all the more weight when, shortly after the deadline, the EU's quest for world leadership is likely to be conditioned on the fact that its largest Member State is also more or less its least developed. It cannot of course be denied that recent and future entrants to the Union will in all likelihood be its fastest growing economies, at least for some period of time. There is, however, precious little evidence that laggards overtake leaders and, what is more, the latter tend to be small nations with little influence on the overall European average.

History will be the judge of whether the picture painted in this article is too gloomy. However, if the 2010 targets still appear remote by the time of the review scheduled for 2008, we must be prepared for more re-launching, simplification and streamlining accompanied, no doubt, by the re-engagement of Wim Kok and a good deal of naming and shaming.

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