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***The goal attainment of the Lisbon objectives
in the Federal Republic of Germany***

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Abbreviations and acronyms

ALG	Arbeitslosengeld
BA	Bundesagentur für Arbeit
BAFöG	Bundesausbildungsförderungsgesetz
BBR	Bundesamt für Raumwesen und Raumordnung
BEPGs	Broad economic policy guidelines
bgas	Bundesweite Gründerinnenagenturen
BMBF	Bundesministerium für Bildung und Forschung
BMF	Bundesministerium der Finanzen
BMWi	Bundesministerium für Wirtschaft und Technologie
bn.	Billion
CPI	Consumer price index
DDR	Deutsche Demokratische Republik
DESTATIS	Statistisches Bundesamt
EC	European Council
ECJ	European Court of Justice
EMU	Economic and Monetary Union
ERP	European Recovery Programme
ESPN	European Spatial Planning Observation Network
EU	European Union
EUROSTAT	Statistical Office of the European Communities
GDP	Gross Domestic Product
GG	Grundgesetz
HICP	Harmonised Index of Consumer Prices
ICT	Information and Communication Technologies
ifo	Institut für Wirtschaftsforschung
KfW	Kreditanstalt für Wiederaufbau
KKS	Kaufkraftstandard
mio.	Million
NUTS	Nomenclature des unités territoriales statistiques
OECD	Organization for Economic Co-operation and Development
OMC	Open Method of Coordination
OPOCE	Office for Official Publications of the European Communities
R&D	Research and Development
SGB	Sozialgesetzbuch
SKM	Standardkosten-Modell

SMEs	Small and medium enterprises
TEU	Treaty on European Union
UMTS	Universal Mobile Telecommunications System
ZAV	Zentralstelle für Arbeitsvermittlung

1. Introduction

The European Union is the result of a process of integration in Western Europe. The western states in Europe agreed to cooperate and form a close Union (Hrbek, 2003: 107). Within that process of integration, the EU became an essential part of the political life in Europe. The institutions of the EU make binding decisions in important policy fields that affect the Member States and the citizens of Europe in a direct way. In the last decades, the power and responsibilities of the EU were expanded. The EU became an central actor in important policy fields like economic and social policy. (Diedrichs & Wessels, 2006: 184).

The five central institutions of the EU are the Council of Ministers, the European Parliament, the Commission of the EU, the European Court of Justice and the European Court of Auditors (Schubert & Klein, 2003: 98). By the new Reform Treaty of 2007, the European Council will expand its important position within the EU system (Art. 9 Treaty of Lisbon). Both the European Parliament and the EC will be the most important institutions of the EU. The consequence of this power improvement is the forming of an institutional square that consists of the European Parliament, the European Council, the Council of Ministers and the Commission (Weidenfeld, 2006: 70).

The EC can be seen as a board of directors who "shall provide the Union with the necessary impetus for its development and shall define the general political guidelines thereof" (Art. 4 TEU). In 2000, the EC initiated the so-called "Lisbon Strategy". At the Spring meeting at Lisbon, the EU committed itself to become, by 2010, "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, and respect for the environment" (Chalmers & Tomkins, 2007: 110). In the late nineties, there was the necessity of boosting productivity in order to become more competitive in the global economy and response globalisation. Higher productivity should lead on to more and better jobs for European workers. Besides the global competitive pressure, the EU was confronted with low population growth and ageing plus high unemployment rates (Dinan, 2005: 388).

The implementation of the Lisbon Strategy included structural reforms, employment political measures and subsidies for research and education (Hillenbrand, 2006: 434). The EU was focussing on the boost of productivity and the reduction of the high unemployment rates in order to sustain its welfare programs in the long run and achieve full employment till 2010 (Dinan, 2005: 389). To achieve the ambitious objectives of Lisbon, both the national level and the European level are supposed to take action (OPOCE, 2004: 6).

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Is the attainment of a dynamic economy with more and better jobs corresponding to the Lisbon objectives in Germany till 2010 realistic and doable? That is the main research question of this Bachelor Thesis. After a general description of the Lisbon Strategy, I will focus on the two important policy fields of economy and employment. I chose these two policy fields because they are highly connected. The re-launch of the Lisbon Strategy in 2005 that was called "Working together for growth and jobs" aimed explicit on these two fields. Furthermore, the environmental approach of the Lisbon Strategy is a separated from the two fields. The goal of more social cohesion is meant in a European wide context and thus it is difficult to research on the national level. To get a valid answer, I will research if Germany reached the objectives of Lisbon in the two fields yet. The second step will be a comparison of the German position and the rest of Europe.

In this Bachelor Thesis, I will refer to several institutes and perspectives in order to get valid results. For the legal and political issues of the Lisbon Strategy, I will use Chalmers' and Tomkins' "European public law" that includes an overview over the new methods of the Lisbon Strategy. To distinguish between the new Open Method of Coordination and the soft-law of the EU, I will refer to Borrás and Jacobsson who highlighted the differences in 2004. Furthermore, I will use several policy literature like the European lexicon of Weidenfeld and Wessels or the policy lexicon of Schubert and Klein. The EU issues and reasons for the Lisbon Strategy plus the presentation of the detailed objectives will ground on the EU researchers Dinan, Weidenfeld and Hillenbrand plus essays of the OPOCE and the Kok-report. My research and analysis of the goal attainment of the Lisbon objectives in Germany will base on dates of DESTATIS and EUROSTAT that includes dates for whole Germany and Europe plus the BBR that publishes regular the "Raumordnungsbericht" that encloses a detailed analysis of the German employment regions. Furthermore, I will refer to the German government and several federal ministries that publishes yearly reports about the German economy and the financial situation. The analysis of the employment situation in Germany will ground of databases of the German Federal Employment Agency, EUROSTAT and the BBR. The dates for the comparison between Germany and the rest of Europe will base on dates from EUROSTAT, the BBR and the European Commission.

2. The Lisbon Strategy

2.1. The Lisbon Strategy and the Kok – Commission

As mentioned before, the EU set itself a strategic goal till 2010, namely to raise economic growth and employment rates to strengthen social cohesion plus sustain the environment. (OPOCE, 2004: 8). By the help of the Lisbon Strategy, the EU

wanted to face new threats and risks for the European economy and the welfare systems of the Member States. The common action of the Member States and the EU makes the interdependence between the national economies clear. The reasons for the common strategy are very complex (OPOCE, 2007a: 8).

First of all, Europe has to deal with widening gaps between its economy and the leading economy in the USA and the upcoming economy in Asia plus the foregoing globalisation. The international competition is growing by rapid growth rates in China and India. The Chinese economy catches up in technological and industrial production. The Indian economy has an enormous pool of cheap and well educated English-speaking workers. However, the growing economies are not only new competitor but also new markets for the European companies. Europe needs to have an appropriate economic base to take advantages of the new markets in the east. Thus, the upcoming Asian economy was one reason for the implementation of the Lisbon Strategy (OPOCE, 2004: 12).

The second reason was the leading role of the US economy in high – tech production. In the late nineties, Europe was confronted with the dominance of the US knowledge based economy. Almost 74 % of the top 300 IT companies were based in the USA. By the help of the Lisbon Strategy, the EU should develop its own area of specialisms and excellence (OPOCE, 2004: 12).

Besides that external challenges, the Member States of the EU were confronted with internal challenges like declining birth rates and rising life expectancies. It results a dramatic change in the size and age structure of Europe's population. By 2050, the working-age population (15 – 64 years) is projected to be 18 % lower than the current one. At the same time, the ratio of people in retirement compared with those of the present working age will double from 24 % to 50 % in 2050 (Chart 1). These facts threaten the welfare systems of the Member States. Furthermore, the Commission estimates that the impact of ageing will reduce the GDP growth rates for 1 % a year till 2040. Lower GDP growth rates will negatively affect public finances. A dynamic economy and high employment rates should response these demographic problems (OPOCE, 2004: 13).

The fourth reason for implementing the Lisbon Strategy was the future enlargement in 2004. By the enlargement of 2004, the EU's population has increased by 20 % while the European GDP is only 5 % higher than before (OPOCE, 2004: 13). The economic size of the new Member States differs from their population size. The difference becomes clear by making East – West comparisons. Spain and Poland have a similar population size. Chart 2 shows that Spain contributed 7,5 % to the

total economic output of the ESPON¹ countries in 2003. In contrast, Poland contributed only 1,8 % of the total economic output. Altogether the new Member States of 2004 make up almost 5 % of the GDP in Europe. In comparison, almost 64 % of the GDP is produced by Germany, the United Kingdom, France and Italy. Thus, the social and economical disparities between the new member states in the east and the old member states in the west are very high that was one further reason for the introduction of the Lisbon Strategy (BBR 2006: 14). Furthermore, the new Member States had to deal with very high unemployment rates. By the Lisbon Strategy, social and economical reforms in the new Member States should be initiated (OPOCE, 2004: 13).

At the Spring summit in March 2004, the EC invited the Commission to establish an independent High Level Group to evaluate and review the Lisbon Strategy. The Group was headed by the former prime minister of the Netherlands Mr Wim Kok and consisted of twelve other members from the economical and political life in Europe. The report should identify measures to achieve the Lisbon objectives and targets (OPOCE, 2004: 5).

The High Level Group concluded that the implementation of growth and employment in Europe needs political leadership and common actions. The Group called on the national governments to act and implement structural reforms in uniformity. Individual Member States have succeeded in one Lisbon objective but no one made progress in all objectives. They concluded that national policies in each member state plus a supporting European-wide framework had to be developed. The Commission should have the task to report the success and failure of each member state. To achieve the Lisbon targets, the national and European priorities have to orientate by the Lisbon objectives. Furthermore, European social partners and the European citizens have to be involved in the progress. The people of Europe must understand why the goal attainment of the Lisbon objectives is relevant for every household in Europe (OPOCE, 2004: 7).

2.2. Making Lisbon work

Within the Lisbon Strategy, the EC created the Open Method of Coordination. The OMC is legally not binding and not mentioned in the treaties (Hillenbrand, 2006: 438). The new method was created because traditional Community law-making alone would not be suitable for realising the ambitious objectives of the Lisbon Strategy. The OMC covers policy fields that lay outside or at the periphery of Community competence. The central features of the OMC are joint definitions of the Member States of initial objectives, indicators and guidelines. The Member States

¹ ESPON countries are all EU Member States including Romania and Bulgaria plus Norway and Switzerland

develop national reports or action plans which assess performance in light of the objectives and propose reforms accordingly. The action plans are critically reviewed by the other Member States, including the exchange of best practise models and recommendations (Chalmers & Tomkins, 2007: 139).

By the introduction of the OMC, soft law in the Community exploded (Chalmers & Tomkins, 2007: 138). However, there are clear differences between the traditional Community soft law and the OMC. First, the OMC is highly intergovernmental oriented. In traditional soft law, the Commission and the ECJ play the major role. In contrast, the central actors within the OMC are the Commission and the Council of Ministers or the EC. That shows again that the OMC is more politically than legally binding. Second, the level of political participation is really high within the OMC. The policy formulation and the monitoring phase includes the participation of the Council of Ministers and the EC. Third, the high participation and the clear procedural mechanism enable more mutual commitments and the exchange of best practise models better than the ad-hoc procedures of soft law. Fourthly, the OMC links policies outside the Community law framework with common goals. Thus, the OMC has a strategically bridging role by linking national policies with each other plus linking different policies at the EU level. Fifthly, the OMC seeks to combine common actions with national autonomy and to integrate policy actions at various levels of governance. Sixthly, both private and state actors are involved in the OMC. It highlights again the high participation and the multi-level aspect within the OMC. Seventhly, similar to the practices of the OECD, the OMC supports learning processes and the exchange of knowledge and experiences. These seven aspects were different organised or absent in the traditional soft law of the Community (Borras & Jacobsson, 2004: 189).

2.3. The objectives of the Lisbon Strategy

At the Spring summit in 2000, the EC formulated concrete objectives for the EU till 2010. However, these objectives were lost of sight in the years after the implementation of the Lisbon Strategy. The years after 2000 were characterized by an economic slowdown and recession in the USA and the European economy followed. The Office for Official Publications of the European Communities stated in 2004 that "Raising R&D expenditure, for example, is made very much harder in a climate of stagnating output and general pressure on government and corporate budgets" (9). The international climate was further darkened by the terror attacks on the USA on 11 September 2001 and other terror attacks in Europe. The European economy was more slowed down by trade disputes between the USA and Europe, growing environmental events, the exploding oil prices and the stagnation of private

and public demand. These negative atmosphere made it really hard for the Member States to implement the Lisbon Strategy (OPOCE, 2004: 10).

After the economical turbulences, the EU and its Member States decided to re-launch the Lisbon Strategy in 2005 aimed at securing sustainable growth and jobs (Commission of the European Communities, 2007: 5). At the Spring summit in March 2005, the EC defined the priorities for the next few years. The national and Community levels must focus on growth and employment to achieve the Lisbon objectives. Furthermore, relevant stakeholders must be involved in the process to improve the quality of implementation. To this end, the Heads of State developed twenty-four BEPGs to reflect the new start of the Lisbon Strategy and concentrate the economic policies to higher growth and more jobs. The guidelines are applicable to all Member States and the Community should initiate national reform programmes in the interest of growth and employment. The EC underlined that all measures and implementations should take into account gender mainstreaming (OPOCE, 2005: 9).

Macroeconomic guidelines

- (1) To secure economic stability.
- (2) To safeguard economic and fiscal sustainability.
- (3) To promote a growth- and employment-orientated and efficient allocation of resources.
- (4) To secure economic stability for sustainable growth.
- (5) To ensure that wage developments contribute to macroeconomic stability and growth.
- (6) To contribute to a dynamic and well-functioning EMU.

Microeconomic guidelines

- (7) To increase and improve investment in R & D, in particular by private business.
- (8) To facilitate all forms of innovation.
- (9) To facilitate the spread and effective use of ICT and build a fully inclusive information society.
- (10) To strengthen the competitive advantages of its industrial base.
- (11) To encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth.
- (12) To extend and deepen the internal market.
- (13) To ensure open and competitive markets inside and outside Europe and to reap the benefits of globalisation.
- (14) To create a more competitive business environment and encourage private initiative through better regulation.

(15) To promote a more entrepreneurial culture and create a supportive environment for SMEs.

(16) To expand, improve and link up European infrastructure and complete priority crossborder projects.

Employment guidelines

(17) Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion.

(18) Promote a life-cycle approach to work.

(19) Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people, and the inactive.

(20) Improve matching of labour market needs.

(21) Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners.

(22) Ensure employment-friendly labour cost developments and wage-setting mechanisms.

(23) Expand and improve investment in human capital.

(24) Adapt education and training systems in response to new competence requirements.

Integrated guidelines for growth and jobs (2005-08) (OPOCE, 2005: 5)

For my analysis of the German situation, I will concentrate on the highlighted BEPGs in the chart. These guidelines focus on the essential objectives of the Lisbon Strategy namely to establish a dynamic and competitive economy with sustainable public finances and full employment. In the following part, I will present the different guidelines in detail.

Guideline number one concentrates on the security of economic stability. The Member States should support a well-balanced economic expansion and the full realisation of current growth potential. The guideline is linked with the Stability and Growth Pact that stresses the budgetary discipline of the Member States. That includes a non-inflationary growth and a high price stability. This objective is in line with the second guideline that recommend to safeguard economic and fiscal sustainability. The Member States should, in view of the demographic situation in Europe, modernise the social protection systems as to ensure that they are financially viable. Furthermore, the fiscal sustainability of public finances in full compliance to the Stability and Growth Pact should stand at the centre of the Member States' policy. This goal corresponds to guideline number six, namely to contribute to a dynamic and well-functioning EMU. These macroeconomic

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guidelines concentrate on sustainable growth, consolidated public finances and a high price stability (OPOCE, 2005: 11).

One essential aspect of economic growth is R&D. It can contribute to the creation of new markets or the improvement of existing products and production processes. Guideline number seven underlines to increase and improve investment in R&D, in particular by private business. The spending for R&D in the Member States is in average still low (in 2005, 2 % of the GDP). The Member States should spend more public finances on R&D and initiate the business sector to participate on the spending in R&D. The over-all objective for 2010 is the achievement of investments for R&D amounting of 3 % of the GDP. The goal is the creation of a positive atmosphere for researchers, science institution and companies. In this context, the Member States should strengthen the innovative potential of SMEs. Guideline number fifteen advises to promote more entrepreneurial culture and create a supportive environment for SMEs. That includes the simplifying of the tax-systems and the reduction of non-wage costs plus the facilitation of the transfer of ownership. By implementing these microeconomic reforms, Europe's growth potential should be improved (OPOCE, 2005: 23).

The sum of the macroeconomic and microeconomic reforms should lead on to a dynamic and stable European economy.

Besides a dynamic economy, the Lisbon Strategy aimed for more and better jobs. Guideline number seventeen of the BEPGs underlines the implementation of employment policies aiming at achieving full employment, improving quality at work, and strengthening social and territorial cohesion (OPOCE, 2005: 29). The OPOCE stated in 2005 that "Policies should contribute to achieving an average employment rate for the European Union of 70 % overall, of at least 60 % for women and of 50 % for older workers (55 to 64) by 2010, and to reduce unemployment and inactivity" (29). In addition, guideline number eighteen emphasizes the promotion of a life-cycle approach to work. Among other things, the reduction of the youth unemployment and the reconciliation of work and private life are at the centre of the guideline. Especially the accessibility to childcare facilities are an important aspect to arrange the formation of a family and work. The achievement of full employment and the implementation of structural reforms will result in more and better jobs (OPOCE, 2005: 30).

3. The goal attainment in Germany

3.1. The Lisbon Strategy in Germany

The German government accentuated the importance of the Lisbon Strategy within its EU – presidency in 2007. The chancellor Angela Merkel appointed Michael Glos, Federal Minister of Economy, as the national Lisbon co-ordinator of Germany (Presse und Informationsamt der Bundesregierung, 2006: 1).

Michael Glos underlined the need for reduction of bureaucracy in the member states and in the EU system. He declared himself for a clear distribution of responsibilities between the member states and the EU. Furthermore, the compliance of the Stability and Growth Pact and the budget consolidation of the public finances will stand at the centre of the policy in Germany. Moreover, the government will spend more finances on R&D and wants to initiate the private sector for more spending on R&D (Presse und Informationsamt der Bundesregierung, 2006: 1).

The implementation of the Lisbon Strategy in Germany is essential for the European economic development and integration. Germany is the biggest national economy (Chart 2) and with its 82 mio. population the biggest country within the EU. The successful implementation of the Lisbon guidelines would be an important sign for the other member states especially for new member states and membership aspirants. The successful functioning of the German economy and labour market would cause spill-over effects on other national economies. For Europe, it is essential and important that Germany takes a leading position in the implementation of the Lisbon objectives.

3.2. The macroeconomic and microeconomic dimension

In this section, I will concentrate on the macroeconomic and microeconomic BEPGs. The results, effects and political measures of these guidelines are highly connected. In the following two parts, I will analyze the goal attainment of BEPG No. 1, No. 2, No. 6, No. 7 and No. 15. After the detailed analysis, I will compare the German situation with the European one.

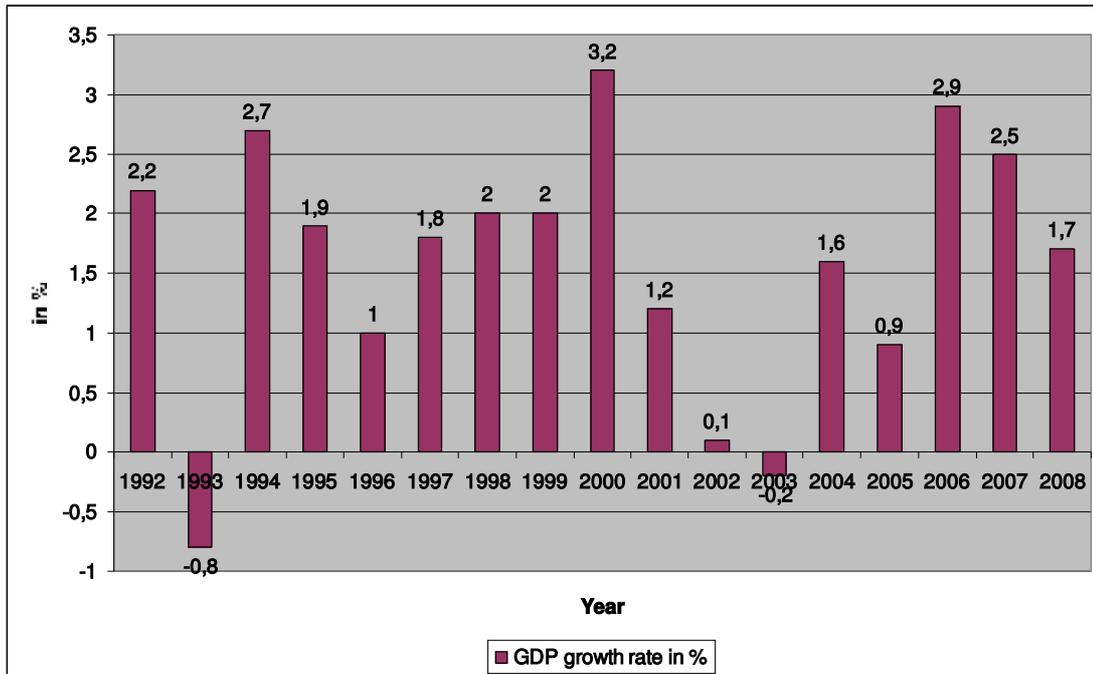
3.2.1. The macroeconomic guidelines

Guideline number one of the BEPGs focuses on a well-balanced economic expansion and the security of economic stability corresponding to the Stability and Growth Pact (OPOCE, 2005: 11). The GDP is a rate for the economical strength of an economic zone, for instance the Federal Republic of Germany. The growth rate of the GDP can be seen as an indicator for economic dynamic and expansion (DESTATIS, 2006: 243).

The general economic development of the last 50 years in Germany was very successful and expresses the economic strength of the German economy. As it laid down in Chart 3, the GDP of the Federal Republic of Germany grew from 49,7 billion

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€ in 1950 to 2.423,8 billion € in 2007 (DESTATIS, 2007a: 10). Corresponding to that stable growth, the GDP grew by 21 % between 1991 and 2005 (see below) (DESTATIS, 2006: 244). In 2006, the German economy grew by 2,9 %. The growth rate in 2007 was 2,5 %. For 2008, the BMWi projected a yearly growth rate of 1,7 % (BMWi, 2008: 9).



GDP growth rate between 1992 and 2008 (2008 projection) (DESTATIS, 2006: 244) (BMWi, 2008: 9) (own figure)

These relatively stable growth rates suggest a well-balanced economic expansion and stable growth corresponding to the Lisbon objectives. This positive image of the German economy seems to be verified by a closer look of the growth rates in the Federal States (Chart 4). The spectrum of growth rates in 2006 ranges from 4 % in Saxony to 1,6 % in Saarland (DESTATIS, 2007b: 623). This stable growth seems to be approved by looking at the GDP growth rates in the employment regions of Germany (Chart 5). In general, there are growth rates between 1 % and 2 %. However, there are also regions with decreasing GDP rates. Big parts of Lower Saxony, Berlin and parts of Brandenburg plus Saxony are confronted with decreasing GDP rates between 0 % and -1 % or lower. In contrast, prospering regions like Munich, Stuttgart, Frankfurt and the Emsland register stable GDP growth rates between 1 % and 2 % or higher (BBR, 2005: 195). The interregional disparities become more obvious by looking at the per capita GDP. As it is shown in Chart 6, the German economy suffers from an east-west gap. In the eastern regions of Germany, the former DDR, the per capita GDP is in general below 40.000 €.

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There are only a few regions around the German capital Berlin that register per capita GDP rates between 40.000 and 45.000 €. In contrast, the majority of the western regions record per capita GDP rates of 50.000 € or even higher. Moreover, in the western part of Germany there are more “Global Player” seated. Global Player are companies that belong to the 1.000 biggest companies of the world. In Munich, Stuttgart, Frankfurt on the Main, Düsseldorf and Essen the most and strongest Global Player are seated. The concentration of central offices of Global Players in the south shows the economic strength of these regions. Furthermore, there is a correlation between centres of decisions namely the provincial capitals and the concentration of Global Players. Besides Essen and Wolfsburg, the western provincial capitals act as home bases for Global Player. The prospering economical influence of the Global Players is transferred to the whole region (BBR, 2005: 218). Another indicator for economic strength and stability is the regional stage of development. The regional stage of development consults the demography, employment situation, per capita GDP and the rate of technical employers of a region. By considering Chart 7, the east-west gap is approved. However, there are also western German regions like Bremerhaven and Gelsenkirchen that form together with the eastern regions one group of a low regional stage of development. These eastern regions are in general regions with high economic growth rates like Jena, Dresden and Chemnitz. Furthermore, the western part of Germany is characterized by a north-south gap. The southern regions like Munich and Stuttgart belong to the surpassing economic regions (BBR, 2005: 189). On the other hand, former industrial regions like the Ruhr area register a low regional stage of development. These economical weak regions are confronted with adjustment problems. The Ruhr area, Saarland, Bremerhaven and agrarian regions (e. g. Pirmasens) suffer from unsolved structural problems that are accentuated by a reduction of the population. The structural problems of these regions are further grounded on high unemployment and the surpassing rate of long-term unemployment. Especially in the Ruhr area the reduction of the population becomes clear. Since 1995, many cities lost 3 % of their population (e. g. Essen, Gelsenkirchen, Wuppertal). Today, the whole Ruhr area registers an age distribution that we will have in whole Germany in about twenty years. The BBR projects a reduction of the population by 320.000 people in the Ruhr area for the next decades (BBR, 2005: 189). The structural problems in agrarian regions in the east often ground on the peripheral location and a weak industrial structure accompanied by a low level of income that limits the growing of the service sector. In several regions, the collapse of the industrial companies and again the reduction of the population accentuate the low economical status of the region. One more aspect for the low

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stage of development is the limited potential of jobs. Emigration, job fluctuation and the acceptance of a job below the personal level of education are the individual reactions on this limitation. Furthermore, the weak situation of the infrastructure accompanied by the bad accessibility and the substandard supply of knowledge-based services is responsible for that bad stage of regional development. Because of the low population in these agrarian regions, the well-functioning of central infrastructure, for instance day nursery schools, is questionable. Young and well-educated people are confronted with the bad employment situation and a deficit of training places that accentuate the emigration pressure on these young people. One negative effect of that emigration of young people is the long-dated weakening of the development potential of the region. These developments will confront some regions especially in the east and former industrial regions with a high adjustment pressure in next decades (BBR, 2005: 190).

In general, Germany is in line with guideline number one of the Lisbon objectives. The over-all GDP in Germany grew in the last 50 years and the German economy is characterized by a strong stability. However, the yearly growth rates slowed down from year to year. Except in 2000, the German economy grew not more than 3 % a year in the last twenty years that includes only a moderate growing of the economy. Furthermore, the years between 2001 and 2004 were characterized by an economical stagnation and a decreasing GDP rate in 2003 by -0,2 %. Thus, the German economy lost dynamic in the last year. In the comparison between the rest of Europe and Germany, this aspect will be taken up again. Furthermore, the growth is not balanced. The German economy suffers still from the reunion with the DDR. The eastern part of Germany registers weaker per capita GDP rates than the strong western part. Twenty-eight years after the collapse of the DDR, the east-west gap still exists. Furthermore, the western part of Germany is characterized by a north-south gap. The southern regions are the strongest regions of Germany. Northern regions and former industrial regions like the Ruhr area are confronted with a low regional stage of development and decreasing GDP rates. The German structural policy supports these weaker regions but it is unrealistic that these regions will catch up to 2010. However, some regions in the eastern part register high growth rates that can enable them to catch up to the western regions in the next decades.

The stability of an economy is linked with a high price stability. Guideline number two of the BEPGs underlines the importance of a non-inflationary growth and the fiscal sustainability of the social protection systems (OPOCE, 2005: 11). Inflation is the process of general price increase respectively the continuing demonetization. The rate of inflation is calculated by consulting the CPI. The CPI measures the average change of prices of all goods and services that are consumed by private

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households (DESTATIS 2007b: 500). The CPI is regular measured by the Federal Office for Statistics and it is a benchmark for the influence of price changes on the private households in Germany (DESTATIS, 2006: 326). The Chart below shows the CPI development in Germany from 2000 to May 2007 and the change rate in comparison to the previous year. The broken lines mark important events like the reform of the health care system (4), the lift of the tobacco duty (3), the introduction of the Euro (2) and the lift of the value-added tax (5). The major booster of the last years were the increasing health care prices, the exploding oil price and the increasing prices on tobacco goods. The implementation of the reform of the health care system (4) in 2004 plus the lift of the tobacco duty (3) led on to an interim price increase of 2 % (see below).



1) Ökologische Steuerreform, – 2) Einführung Euro-Währungs, – 3) Erhöhung der Tabaksteuern, – 4) Gesundheitsreform, – 5) Mehrwertsteuererhöhung.

CPI in Germany and CPI change rate (DESTATIS, 2007b: 497)

Especially the increasing prices for medicaments and the introduction of the practice fee resulted in surpassing price increasing rates. In 2005, tobacco and the price for energy increased dramatically. The average price rate increased from 1,6 % in 2004 to 2 % in 2005. Without the price increase of oil and tobacco, the price increasing rate would be only 1,2 %. Especially the price for oil fuel (+32 %) and mineral oil (+12,3 %) exploded. Moreover, other energy prices increased as well. The prices for gas and electricity grew by 10,5 % respectively 4,2 %. On the other hand, technical devices and the prices for information decreased by 10 %. The introduction of the Euro (2) had no significant effect on the CPI change rate (DESTATIS, 2005: 328). In contrast, the lift of the value-added tax (5) had an price increasing effect in 2007. In 2008, the circulation of that lift is completed. However, the prices for energy

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increased rapidly in 2007 and the BMWi projects a continuing increase for 2008. As a consequence of the price increase for mineral oil, other prices will follow with a delay. On the other hand, the price increase of food will slow down. The German government projected a yearly price increasing rate of 2,3 % for 2008 (BMWi, 2008: 57).

In consideration of the exploding oil prices on the world market plus increasing energy costs for gas and electricity, the German price increasing rate in the last years was relatively stable. Since 1995, the Federal Office for Statistics register price increasing rates between 0,6 % and 2 %. These moderate rates are in line with the Lisbon objectives that recommend a non-inflationary growth. However, the exploding oil price and the increasing energy costs will act like a booster for other prices. The first signal of this booster effect is registered in June 2008. The CPI growth rate increased to 3,3 % in comparison to June 2007 that is the highest CPI growth rate since 1993. Above all, the prices for fuel oil and fuels exploded. The price for fuel oil increased by 57 % respectively 69 % (differences between Federal States) in comparison to the previous year. The price for fuel exploded by 15 % in the last year. Especially the prices for diesel boosted. (+32 %) (DESTATIS, 2008: 1). Within the scope of exploding prices, it will be difficult to hold the moderate CPI growth rates of the last decades. The inflation will increase noticeable in the next years.

One more risk factor is the link between high employment rates and high inflation. The British economist Alban William Phillips (1914 – 1975) researched the correlation between unemployment and inflation. The theory implied that low unemployment rates are accompanied by high inflation rates because of increasing monetary circulation in times of full employment (Bauer & Hogen, 2004: 115). The German policy have to focus on these risk factors to achieve moderate inflation rates in the next years.

One further aspect of guideline number two is the security and sustainability of the social protection systems. The welfare system in Germany is confronted with international competitive pressure and the demographic situation. The German government started to implement several reforms to face these challenges. First, the pension fund was adapted to the demographic and economic situation by public support of the provision for the old age ("Riester Rente"). Second, the pension able age was lifted to 67 that makes the pension fund more sustainable. Third, the German government checks how home ownership can be integrated in the pension plan (BMWi, 2008: 42). However, the demographic situation in Germany is dramatic. Forty years ago, the birth rates started to decrease and the potential parental generation decreased by one third from generation to generation. One further

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aspect is the increasing life expectancy. Together, it results in a reduction of population, an internationalisation and ageing that was one reason for the introduction of the Lisbon Strategy (BBR, 2005: 67). In 2020, there will be no more growth of population in Germany. Instead, the population will reduce by one million people. As it is laid down in Chart 8, there will be a coexistence of growing and shrinking regions. However, the regions with population growth will decrease by the half to 2020 (BBR, 2005: 70).

In general, in Germany there will prevail the former east-west gap that was already mentioned in association with the per capita GDP rate. However, this east-west gap will be alleviated because of the losing dynamic of the western part of Germany. The western regions can no longer equalize the decreasing birth rates with migration. Chart 8 shows again the east-west gap except the suburban region around the German capital Berlin. The contrast between growing and decreasing regions will be more visible because of the growing population reduction in sparsely populated and agrarian regions that population decrease dramatically. On the other hand, the former industrial regions in the western part of Germany and some sparsely populated regions in the middle of Germany are confronted with decreasing population rates. Population growth will only be registered in the suburban region around the prospering cities like Munich, Freiburg or Stuttgart plus in the northern parts of Germany (Emsland, Hamburg). The high contrast between growing and decreasing regions will result in a different settlement structure. The competition between regions will increase and young employers will move to prospering agglomeration areas. In contrast, sparsely populated regions with a weak infrastructure will suffer from education oriented migration. Young and well educated parents will move with their children in regions with a better education supply (BBR, 2005: 71).

The BBR developed also a population projection to 2050. However, this projection is highly risky because long-dated and regional population projections over the year 2020 include a coarsening of the results (BBR, 2005: 71). To the year 2050, the BBR projects a faster population reduction. However, there will be still regions with a growing population. These regions will be limited to the south, south-west and north-west of Germany. Especially agglomeration centres will benefit from international migration. The migration makes it possible for these regions possible to slow down the population shrinking. International migration will become an important aspect because of decreasing birth rates and increasing life expectancy. The migration of the last years could equalize and overcompensate the demographic problems. However, migration does not distribute equal over all regions. The choice of the living place of migrants is highly linked with their migration motivation and their

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general conditions. The distribution of migrants is highly influenced by the availability of jobs, the existence of social networks to integrate the migrants and the existence of assimilation structures. However, the international migration in Germany will slow down in the next years. For example, the migration potential of the group of the ethnic German emigrants ("Aussiedler") is nearly exhausted (BBR, 2005: 73).

The demographic situation is an essential aspect for the German economy and for its stable and well-balanced growth plus the sustainability of the welfare systems. Most of the regions in Germany will suffer from a dramatic reduction of population to 2020. The similarity of Chart 6 and 8 shows that the economic strength of a region is highly linked with its demographic situation. High GDP rates follow the demographic tendency (OPOCE, 2007c: 31). The darkening demographic situation of Europe (Chart 1) was one reason for the implementation of the Lisbon Strategy and the member states are recommended to change this bad situation to assure the well-balanced economic growth (BEPG No. 1) and the security of the welfare system (BEPG No. 2). However, it is impossible for the German policy to change the demographic situation to 2010. To solve the demographic problems will be on the agenda for the next twenty or thirty years. Thus, Germany was in line with its non-inflationary policy but the prices will increase in the next years noticeably. The welfare systems are threatened by the bad demographic situation, increasing adjustment pressure and the loosening dynamic of the German economy.

Another aspect which is influenced by the demography is the sustainability of the public finances. Guideline number six of the BEPGs recommends the contribution to a dynamic and well-functioning EMU (OPOCE, 2005: 11). This guideline corresponds to the Stability and Growth Pact that recommends a yearly deficit of the public finances of 3 % plus a structural deficit of 60 % of the national GDP (Hillenbrand, 2006: 446).

Chart 9 shows the development of the liabilities of the State from 1982 to 2008. Since 1982, the liabilities grew from 160 bn. € to 943 bn. €. This negative development is only broken through the auction of the UMTS licences in 2001. The liabilities correspond to 45 % of the national GDP (BMF, 2007a: 6). However, if we sum the liabilities of the State, the Federal States and the municipalities the national debt amounts 1.496 bn. € that corresponds to 65 % of the national GDP. This negative image corresponds to the financing balance of the last years. As it is shown in Chart 10, Germany was not in line with the regulations of the Stability and Growth Pact. From 2001 to 2005, the German financing balance amounts more than 3 % of the national GDP (BMF, 2007b: 65).

Within the Stability and Growth Pact, the German government and all other governments of the Euro-zone declared themselves in 2007 to achieve a balanced

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budget to 2010 corresponding to the Lisbon objectives (BMF, 2007b: 64). This effort is supported by the prospering economy and high GDP increasing rates in the last three years (Chart 4). The high rates are caused by high national-investments of companies and decreasing unemployment rates. On the other hand, the labour force and the rate of social insurance liable people increased. The economic boom is further supported by the high private demand. Production, turnovers and incoming orders boom. One more booster for the German economy is the export industry that benefits from the prospering world economy and the high price competitiveness of the German companies. The general atmosphere of companies and consumers is positive. Thus, the over-all economic situation for the next years is optimistic and the German government expects a yearly GDP growth rate of 1,75 % to 2011 (BMF, 2007a: 5). In consideration of that positive over-all economic situation, Germany can reach its goal to consolidate the state budget to 2010 or by no later than 2011 if the current financial plan is implemented. Indeed, the financing balance in 2008 will correspond to the balance of 2007 which means that there is no consolidation advance in 2008. However, the year 2008 is characterized by increasing spending on personal, financial transfers to the EU plus an interest increase. From the year 2009, the consolidation course of the German government is planned to proceed and the budget could be balanced in 2011. One essential requirement for the achievement of a balanced budget will be the orientation on a moderate spending policy. It is necessary to hold the yearly spending below the yearly GDP growth rate. Otherwise it is not possible to achieve the medium-dated goal of a balanced budget (BMF, 2007b: 65). The last two budgets of 2006 and 2007 showed that the German government is headed in the right direction. Since 2005, the start of the grand coalition, the government follows an anti-cyclical strategy of budget consolidation and stimulation of the economy. On the one hand, the government started a stimulating programme of about 25 bn. € for the German economy. On the other hand, the unexpected fiscal revenue about 10 bn. € in 2006 was used to decrease the new indebtedness. For this reason, the net-borrowing of the year 2006 was reduced to 27,9 bn. € that was the lowest rate since 2001. In the following year, two central fiscal rules were complied namely the indebtedness regulation of the German Constitution (Art. 115 GG) and the spending limit of the Stability and Growth Pact (3 % of the national GDP). Furthermore, the spending of the State decreased to 11,3 % of the national GDP that is the lowest rate since the reunion in 1990 (BMF, 2007a: 6).

If these positive development prevails, the German government is able to achieve its goal to present a balanced budget in 2010 respectively 2011 (Chart 11). Following the plan, the yearly spending rate of the State will decrease from +3,6 % in 2007 to

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+0,4 % in 2011. On the contrary, the net-indebtedness will be reduced from 27,9 bn. € in 2006 to 0 € in 2011 (BMF, 2007a: 9). Moreover, the liabilities of the whole State will decrease below 60 % in 2010 that is one essential requirement of the Stability and Growth Pact (BMWi, 2008: 45). The achievement of this fiscal sustainability is highly recommend to keep the state able to act and to keep the equity of the generations in sight (BMF, 2007a: 9).

Besides the budgetary problems around 2003, the German fiscal policy is completely in line with the Lisbon objectives. Furthermore, the German government declared to achieve a balanced budget in 2011. However, the financial plan have to be implemented plus the moderate spending policy have to proceed to 2011. Tax cuts and other unexpected spending are only very hard possible. One risk factor is the federal election of 2009 because a change in the spending policy would not lead on to a balanced budget in 2011. Thus, the contribution and well-functioning of the EMU in Germany is safe to 2010 if the German government proceed to keep the Stability and Growth Pact especially the 3 %-line.

To sum up, the German government and policy registered the importance of the Lisbon objectives for a positive development of the economy and seeks to implement the guidelines. The relatively low CPI of the last years, the balanced budget in 2007 and the German-wide economic strength are completely in line with the Lisbon objectives. However, the unbalanced GDP growth and the bad demographic situation act like a brake especially for the eastern economy. Furthermore, the rising prices for fuel will increase the CPI growth rate and effect the economic development in a negative way. The only guideline which is achieved yet is guideline number six namely the contribution to a dynamic and well-functioning EMU. The budget of the State is balanced and the structural deficit can be reduced if the moderate spending proceeds.

3.2.2. The microeconomic guidelines

The public and private spending on R&D is essential for the innovative potential of an economy. Guideline number seven of the BEPGs underlines the importance of R&D investments in order to achieve an R&D spending of 3 % of the national GDP to 2010 (OPOCE, 2005: 23). Within the German EU presidency in 2007, the government declared to spend more finances on R&D and to initiate the private sector for more spending on R&D (Presse und Informationsamt der Bundesregierung, 2006: 1). The innovative and competitive ability of the German economy is at the centre of the German policy for the next five years. The grand coalition decided to implement a 6-bn. programme to support R&D in the current legislative period. Furthermore, the BMBF developed a High-tech Strategy for the

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private economy to support technology and research in companies. However, both levels - the public and the private - have to invest in R&D (BMF, 2007a: 24).

Chart 12 shows the spending of the BMBF on education and research from 1994 to 2011. The spending increased regularly and reached in 2007 the 10 bn. line. However, these spending includes the Federal Law on Support in Education (BAFöG) and supporting programmes for day nursery schools. The special stimulating 6-bn. programme for R&D aims on leverage effects on the private sector and the Federal States to spend more finances on R&D to increase high technology and the attractiveness of the research and innovative location of Germany. The programme is supported by the High-tech Strategy of the State that includes the amount of 76 mio. € in 2008. The all-over spending on R&D of the State is increased to 3,2 % of the whole budget in 2008 and will be further increased to 2010 (BMF, 2007a: 34).

The High-tech Strategy of the German government aims on the increase of private spending on R&D. In order to stimulate the private spending, the KfW makes loans at reduced rates of interest available for companies. Especially SMEs should be able to invest in innovation and technology. Furthermore, the grand coalition decided to integrate private foundations in education, science and research. Thus, one further and sustainable financing source should be integrated in the innovation spending in Germany. Moreover, the reform of the fiscal system in 2008 will simplify the spending on innovation. The innovative conditions are increased by an expansion of write-off possibilities. One further innovation stimulating measure is the reduction of bureaucracy. The German government did a first step by implementing the SME Relief Act (Mittelstandsentlastungsgesetz). At present, SMEs have to spend 4 to 6 % of their volume to administration costs. This rate should be reduced by several programmes (BMBF, 2006: 14).

The goal of Lisbon to spend 3 % of the national GDP is not achieved yet. However, the increasing spending of the State, the Federal States and the private sector aim on the attainment of a 3 % amount of the national GDP in 2010. This process is supported by reforms of the German government and the BMWi projects the achievement of the goal in 2010 (BMW, 2008: 37).

The innovative potential of SMEs was mentioned above in association with the spending on R&D. The innovative function and economic strength of SME should be supported by implementing guideline number fifteen namely to promote more an entrepreneurial culture and create a supportive environment for SMEs (OPOCE, 2005: 23).

One of the first measures of the German government was the reform of the business tax system in 2008. Within that reform, the fiscal burdens for SME were reduced

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from 38,65 % in 2007 to 29,83 % in 2008 (Chart 17). The adaptation includes a clear increase of the framework conditions for SMEs. The business tax reform is completed by the introduction of a flat rate withholding tax in 2009. The flat rate withholding tax assesses investment income and capital profit. However, the reform was criticised because of the coordination between the business tax and the flat rate withholding tax. The coordination effects the financing decision in support of debt financing that weakens the innovation potential of national SMEs (BMW, 2008: 30). Besides the increase of the financial framework conditions, the German government aims on the increase of the administrative framework conditions. As mentioned before, expensive bureaucracy limits the growth potential of SMEs. Information duties of the economy cost yearly 27 bn. €. Hence, the reduction of expensive and needless bureaucracy is at the centre of the German policy. The costs of bureaucracy are measured by consulting the SKM that includes all costs for information and report duties for SMEs. The German government declared to reduce the bureaucracy costs for SMEs by 25 % of the current burden. Until 2009, the 50 most expensive information duties should be checked and simplified by a close dialog between SMEs and organizations (BMW, 2008: 32).

In association with the reduction of bureaucracy, the German commercial policy seeks to simplify the setting up of businesses. At the centre of that seeking there stands the simplifying of the administrative processes and its acceleration. Especially women are separate supported by starting centres and bgas. The financial support of young entrepreneurs is ensured by loans of the KfW and the ERP (BMW, 2008: 34).

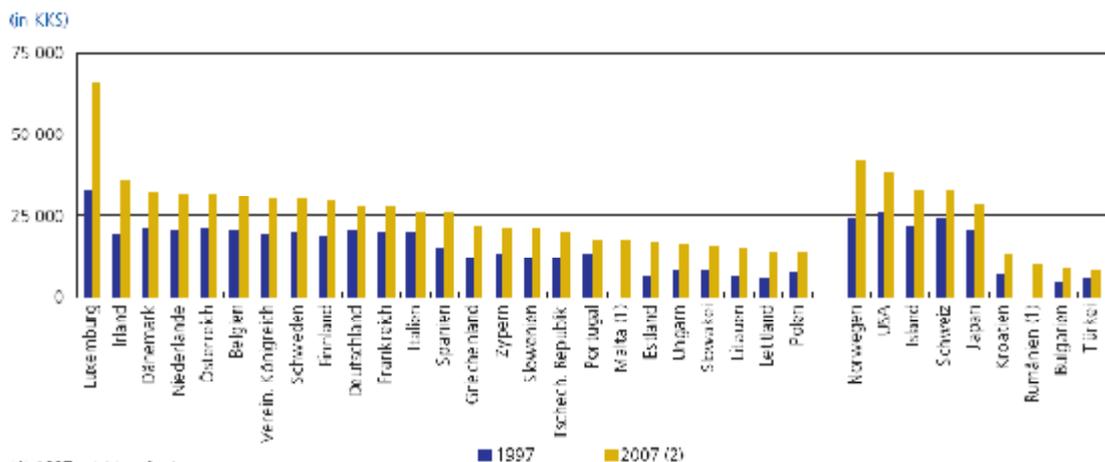
The year 2008 was characterized by an increasing national support of SMEs, stimulating programmes, reforms and the reduction of bureaucracy. These measures are a step in the right direction. The promotion of a entrepreneurial culture is not completely achieved yet but it can be achieved in 2010 by proceeding such measures and by ensuring the effectiveness of the reforms.

To sum up, the spending for R&D is regular increased and the German government seeks to initiate the private sector to spend more finances on R&D. The 3%-goal can be achieved in 2010 if both - the state level and the private level - proceed to spend more money on R&D. As a result, the innovative potential of SMEs is supported and the government aims to create an entrepreneurial culture by implementing reforms and reducing bureaucracy. In general, Germany is in line with the microeconomic guidelines.

3.2.3. Macro and micro economy in Europe

In the following part, I will compare the German goal attainment with the European situation and I will describe some European tendencies.

The German economy is the biggest national economy within the EU. All-over 21 % of the European-wide GDP is produced in Germany (Chart 2) (OPOCE, 2007b: 153). In contrast, the per capita GDP in Germany is only on position ten of the EU-25 (see below). Moreover, in 1997 Germany produced the second highest per capita GDP in the EU. Thus, the other economies grew faster and especially more balanced. The unbalanced growth and the interregional disparities between the east and west of Germany act like a brake for the whole German economical development (OPOCE, 2007b: 151). Besides Spain and Italy, Chart 13 shows that the German economy suffers from the third highest disparities in the EU (OPOCE, 2007c: 27). However, the German economy is very important and essential for the economical development in the EU (OPOCE, 2007b: 153).



(1) 1997, nicht verfügbar.
(2) Prognose.

Das BIP ist ein Indikator für die wirtschaftliche Situation eines Landes; es ist der Wert aller produzierten Waren und Dienstleistungen abzüglich der Werte aller bei ihrer Produktion als Vorleistungen eingesetzten Waren und Dienstleistungen; wird das BIP in KKS (Kaufkraftstandards) ausgedrückt, so werden Preisniveauunterschiede zwischen den Ländern eliminiert; Werte pro Kopf ermöglichen Vergleiche zwischen Volkswirtschaften, deren absolute Größe sehr unterschiedlich ist.

Per capita GDP in current prices (in KKS) (OPOCE, 2007b: 151)

The German non-inflationary policy is an unique success story in Europe. By considering Chart 14, Germany is the only member state that registered a HICP below 2,0 % between 1997 and 2006. Especially the new member states in the east and Rumania plus Bulgaria register enormous inflation rates (e. g. Rumania 1997: 155 %) (OPOCE, 2008: 137). However, the prices in all member states will increase in the next years.

The ageing of the European population was one reason for implementing the Lisbon Strategy (Chart 1). The German tendency of some prospering and growing regions and economically weak and shrinking regions is approved by looking at the European tendency. Chart 13 shows that in general, the share of national GDP

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follows the population shifts (e. g. the south of Germany, the north of Italy, London) (OPOCE, 2007b: 31).

The ageing and shrinking of the European population effects the majority of the national budgets in a negative way. Except Belgium, Denmark, Estonia, Luxembourg, Finland and Sweden, all European governments register a negative financing balance between 1997 and 2005 and thus growing structural deficits (Chart 15). The financing plan of the German government for the next few years shows that the German policy is willing to present a balanced budget in 2011 which is completely in line with the Stability and Growth Pact. Furthermore, the structural deficit will fall below the 60 % line if the moderate spending proceeds. That would not boost Germany on a leading position in Europe (e. g. Estonia's structural deficit: 4,8 % of the national GDP). However, there are also other member states with bigger structural deficits (e. g. Greece' structural deficit 108 %) plus the compliance of the biggest national economy in Europe with the Stability and Growth Pact would be an important sign for the rest of Europe and especially for the new member states (OPOCE, 2007b: 163).

The increased spending on R&D in the last years of the public and private sector leads on to a top position of Germany in the EU (Chart 16). In 2005, the German public finances spend all-over 2,5 % of the national GDP for R&D. Besides the top position in Europe, the German government projects the exceeding of the 3 % line of the Lisbon objectives in 2010. Thus, Germany is in line with the R&D regulations of the Lisbon Strategy. However, the new eastern member states are far away from a yearly spending on R&D of 3 % of the national GDP (OPOCE, 2008: 473).

Chart 17 shows the business tax of Germany in comparison with the other member states within the EU. It becomes clear that the German business tax is still one of the highest taxes within the EU that limits the potential of SMEs. However, by implementing the reform, the tax decreased from 38 % to 29 % (BMW, 2008: 29).

In general, the German position in Europe is a strong one. The German economy produces the highest GDP of Europe plus Germany holds top positions in its non-inflationary policy, balanced budget and the spending on R&D. The entrepreneurial culture is increased by reforms and the reduction of bureaucracy. However, the strong interregional disparities, the demographic pressure and increasing prices in 2008 act like a brake for the German-wide economy. By considering the development of the per capita GDP of the last years, we can conclude that the German economy lost its dynamic in comparison with the rest of Europe. Germany lost its top two position of 1997 and came out on ten in 2007. However, the German economy occupies still a surpassing position in an EU of 27 member states.

3.3. The employment dimension

In this part I will analyse the employment guidelines of the BEPGs namely No. 17 and No. 18. After this analysis, I will give an overview of the European employment situation.

The second ambitious goal of the Lisbon Strategy is the achievement of more and better jobs for the European workers. Guideline number seventeen is about the implementation of employment policies aiming at achieving full employment, improving quality at work and strengthening social and territorial cohesion. The EC concretes this guideline namely to achieve an average employment rate of 70 %, of at least 60 % for woman and 50 % for older workers (55 to 64) until 2010. The implementation of this guideline should lead on to more jobs (OPOCE, 2005: 30).

Unemployment is not an abstract phenomena but it influences the life of the concerned persons in an essential way. The consequences of unemployment for individuals are complex. In the first place, loss of income results in non-consumption that can lead on to a limitation of social life for the whole family. The family is unable to pay free time activities like going to the cinema or school trips for the children. Such deficits of perspectives on the employment market can lead on to individual identity crises (DESTATIS, 2006: 85).

For workers, the job is not only the safety of living but expression of the individual self-development. Thus, the job is at the centre of people's life in Europe (DESTATIS, 2006: 85). The high risk and consequences of unemployment and the important position of the job for individuals are the reasons for a central effort of the Lisbon Strategy on more and better jobs. Moreover, full employment supports a positive economic growth (OPOCE, 2005: 30).

3.3.1. The employment guidelines

The employment situation in Germany improved noticeable in the last years. In the first quarter of 2008, the Federal Office for Statistics registered a high GDP growth rate of 1,5 %. However, indicators and the ifo business climate index plus incoming orders suggest a relatively low economical development for the rest of the year. Anyhow, the positive development of the last years proceeded until May 2008. The rate of social insurance contributed persons increased plus the supply of jobs is still on a high level (BA, 2008a: 7).

In detail, the rate of social insurance contributed and employed persons enlarged in all Federal States in comparison to the previous year. By considering Chart 18, the rate of employers increased to 40,11 mio. persons in May 2008. The rate of social insurance contributed persons increased to 27,33 mio. The high growing rates in the wintertime ground on the relatively bland weather and the stabilizing effect of the season short-time work (BA, 2008a: 7). The employment rate of 40,11 mio. persons

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correspond to 69 % of the working population that is almost in line with the Lisbon objectives (BMW, 2008: 10).

The yearly growth rate of social insurance contributed people differs in western- (+2,5 %) and eastern Germany (+2 %). The growth rate ranges from 1,4 % in Brandenburg and Saxony-Anhalt to 3,5 % in Hamburg. Furthermore, the BA registered growth rates in almost all sectors. The services for industries (+6,3 %), catering and hotel industry (+3,1 %), traffic and signalling (+3,3 %) listed the highest growth rates. In contrast, the insurance industry (-1,2 %) and the public administrations (-0,6 %) lost employers that grounds on the financial crisis and the effort of the State to reduce costs (BA, 2008a: 8).

On the contrary, the availability of jobs decreased by 6.000 jobs in May in comparison to the previous month. The yearly rates differ again between western- and eastern Germany. The western job market lost 40.000 or 8 % of vacancies. In contrast, the eastern part of Germany registered 117.000 or 17 % less available jobs than in the previous year. This development approves the tendencies of decreasing job availability in the last months. However, the job availability is still on a high level (all-over 579.000 jobs) (BA, 2008a: 10). Moreover, by considering Chart 18, the tendency of the workable population between 15 and 65 is also decreasing because of the demographic changes that were analysed in the previous section. The decreasing population between 15 and 65 and the increasing employment rate support the effort to achieve an all-over job participation of 70 % in 2010. Thus, the general job situation in Germany developed very positive in the last months and the Lisbon objective of 70 % job participation could be reached in 2010 (BA, 2008a: 43). In 2004, the woman job participation reached 59,2 %. Thus, the goal of 60 % is almost reached and it is possible to achieve this goal in 2010. Especially the positive tendency of the last decades will support the growing woman participation rate. Between 1998 and 2000, the participation rate increased from 55,8 % to 58,1 % in 2000 (Chart 19). Besides the job participation rate of women, the women activity rate increased since 1995 regularly. This rate includes employed women plus unemployed women. It amounts to 66,1 % in whole Germany. The rates differ again between western- and eastern Germany. Because of the historical high job participation of women in the former DDR, the activity rate in the eastern part of Germany amounts to 73,3 %. In contrast, the rate in the western part amounts to 64,5 % (BA, 2006: 5).

The rate of social insurance contributed women amounts to 45,4 % in 2005. Women are especially in the health- and social sector, education, public administration and catering and hotel industry insured. In contrast, women do not work often in the building and mining industry (BA, 2006: 6). On the other hand, almost 85 % of the

short-time employers are women. In the western part of Germany, short-time jobs are seen as a possibility to arrange family and job. In contrast, women in the eastern part seem to prefer full-time jobs because of the high rate of men in the short-time sector. Men in the east part of Germany often work in short-time conditions to avoid unemployment (BA, 2006: 8).

In average women and girls achieve better exams than men. In 2004, almost 57 % of the high-school graduates were female. This rate is very high in consideration of the low rate of young women under 20 years that amounts of 48,7 %. The image of better educated women and girls in Germany is approved by looking at the graduation rates of the secondary modern school. Far more boys graduate in these schools (37,5 % men in training, 29,2 % women). On the other hand, more female candidates on training places graduated in colleges (BA, 2006: 10). It is noticeable that the rate of women in men-dominated jobs not increased in the last years. In contrast, women decide to work in service oriented jobs like office administrator or hairdresser. On universities, women prefer study programmes like art or medicine. On the contrary, women are underrepresented in programmes like science and engineering (BA, 2006: 11).

In the face of the unbalanced distribution of woman in some branches, the job participation rate of women developed very positive in the last decades (Chart 19). The goal of 60 % will be reached in 2010 (BA, 2006: 4).

The labour force participation rate among 55 to 64 year old persons reached 45,5 % (Chart 20) in 2005. Thus, the 50%-line of Lisbon is not achieved yet. The German policy is confronted with several problems (BA & ZAV, 2007: 5).

The employment situation of older people is accentuated through the demographic change. Almost 40 % of the Germans belong to the 50 plus generation. However, a positive tendency is noticeable. The rate of employers over 50 increased by 3,5 % from 2005 to 2006. But the job availability for older workers is still low. The unemployment rate decreased only by 5,9 % while the over-all rate decreased by 8,6 %. The reasons for that problematic situation are complex (BA & ZAV, 2007: 2).

First of all, the early retirement and the reorganisations of many companies plus the youth culture of the New Economy created a social climate in which older people are seen as obstacles in progress. Older workers were accused of reduced productivity, inflexibility and having low technical skills. However, the climate in companies and society changed. The German policy have set a course to get more older people to work. By the implementation of the 50-plus initiative, the job participation of older people should be improved. The initiative supports older workers to take part in further vocational training plus it makes more and better instruments available to improve the reintegration of the unemployed (BA & ZAV, 2007: 3).

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However, experiences in other countries showed that changes of the trends for older workers occur with a delay. The situation is sustainable changed when the general economic and labour market developments are positive for several years plus negative positions about older workers in companies and society are broken down. The BA & ZAV do not expect an improvement of the employment situation for older people in Germany: "So a rapid and mercurial improvement in employment opportunities for older people is not expected any time soon" (3). Because of the demographic change in the next decades the German policy have to concentrate on the maintenance of the 45 % rate. The achievement of the 50%-line of Lisbon is not realistic because of the tense demographic situation.

The Lisbon Strategy underlines the importance of the implementation of employment policies aiming at full employment (OPOCE, 2005: 30). In Germany, full employment is achieved when the unemployment rate amounts to 2 to 4 % plus the rate of unemployed persons correspond to the rate of vacancies (Muelbradt, 2001: 341).

By considering Chart 18, over-all 3.283.000 persons in Germany are unemployed in May 2008. That corresponds to a reduction of 131.000 persons in comparison to the previous month and to an unemployment rate of 7,8 %. At this time of the year, a reduction of the unemployment rate is ordinary. However, the reduction was lower than in the previous year (2007: -164.000). This effect is grounded on the bland winter of the last year. Because of the low increasing rate in the winter, the reduction caused through seasonal effects in this spring are lower than in the previous years. Furthermore, in the end of 2007 some regulations expired that increased the unemployment rate by 10.000 people (BA, 2008a: 13).

In comparison to the previous year, the unemployment decreased by 529.000 persons or 14 %. The positive development on the labour market is basically grounded on the positive over-all economical development that was analyzed in the previous section. Furthermore, the reforms of the German policy had a stimulating effect on the labour market (BA, 2008a: 13).

By considering the unemployment rate, the known east-west gap becomes visible again. In May 2008, the BA registered 76.000 less unemployed persons in western Germany than in the previous month. In comparison to the previous year, the unemployment decreased by 364.000 persons or 15 %. In the eastern part of Germany, the unemployment in May 2008 decreased by 55.000 persons in comparison to the previous month. The BA registered 165.000 less persons (-13 %) than in the previous year (BA, 2008a: 13). Although the reduction was similar in comparison to the previous month and year, the difference becomes clear by consulting the unemployment rates in east and west. As mentioned before, the

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German-wide unemployment rate amounts to 7,8 % in May 2008. However, the unemployment rate in the east is more than twice as high as the western rate. The unemployment rate in the east amounts to 13,4 % while the western rate is by 6,4 % relatively low (BA, 2008a: 16). The disparities between the eastern and western labour market are analysed in the following part.

The employment creation and the reduction of the unemployment is one of the biggest economical and social challenges of the German regions. Both eastern and western regions are confronted with unemployment. Full employment is nowhere achieved. Chart 21 shows the unemployment rates in the Federal States and the employment regions in May 2008. By considering the Chart, the north-south gap and the east-west gap is approved. The gaps were mentioned before in association with the per capita GDP and the demography plus the stage of development. Unemployment is an important indicator for the strength or the weakness of a region and it effects the economic strength in an essential way. The southern regions of Germany register the lowest unemployment rates in Germany and full employment is almost achieved. The highest unemployment rates are registered in former industrial and structural weak regions like Gelsenkirchen, Wilhelmshaven or Pirmasens (BBR, 2005: 190).

As mentioned before, the unemployment rate in the eastern part of Germany is twice as high as in the western part. The high unemployment rate of 13,4 % documents the extensive need for vacancies. In many regions, every fifth person of the workable population is unemployed. The lowest unemployment rates are registered in Thuringia because of the proximity to the western Federal States. Furthermore, the region around Luckenwalde in the south of Berlin lists a relatively low unemployment rate below 9,7 % (BBR, 2005: 191).

The problematic situation in the eastern part of Germany accentuates especially the circumstances for unemployed persons without education because of the low chances to find a job (BBR, 2005: 191). However, the long-term unemployment rate decreased in the last months from 41,6 % to 38,2 % of all unemployed persons (BA, 2008a: 14). Anyhow, Chart 22 shows the surpassing rate of long-term unemployed persons in the eastern part of Germany. Long-term unemployed people are without work more than one year. Besides the eastern regions, the western regions Essen and Gelsenkirchen register high long-term unemployment rates, too. The reasons for these high rates are the broad losses of jobs in the industrial sector plus the low educational level of that people (BBR, 2005: 193).

As mentioned before, the job participation of the eastern women is historically high. This high participation and the general bad situation on the eastern labour market plus the competition with male workers accentuates the position of female workers

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in the eastern part of Germany (Chart 22). It results in a surpassing rate of unemployed women in eastern Germany. The high unemployment rates among women in the south of Germany ground in structural changes (loss of the clothing industry) in regions that had high women employment rates in the past (BBR, 2005: 193).

To sum up, full employment is soonest achieved in the economically strong southern regions of Germany. All other regions are confronted with higher unemployment rates. Especially the eastern part of Germany suffers from the surpassing unemployment rates that effect the structural and economic potential in an negative way. The high unemployment, structural and economical weakness plus the reduction of the population in these regions show the high correlation between these factors. The stage of development that consults all these indicators approves the weak position of the eastern regions. The high interregional disparities are counterproductive to build up a social cohesion in Germany. Thus, one important step in the right direction and an essential goal of the policy have to be the reduction of the unemployment especially in the east plus the solution of the disparities. The Lisbon objective to achieve full employment to 2010 is not realistic for whole Germany. If the positive tendency on the labour market in the south proceeds, the southern Federal States Bavaria and Baden-Württemberg can achieve unemployment rates below 4 % and thus full employment.

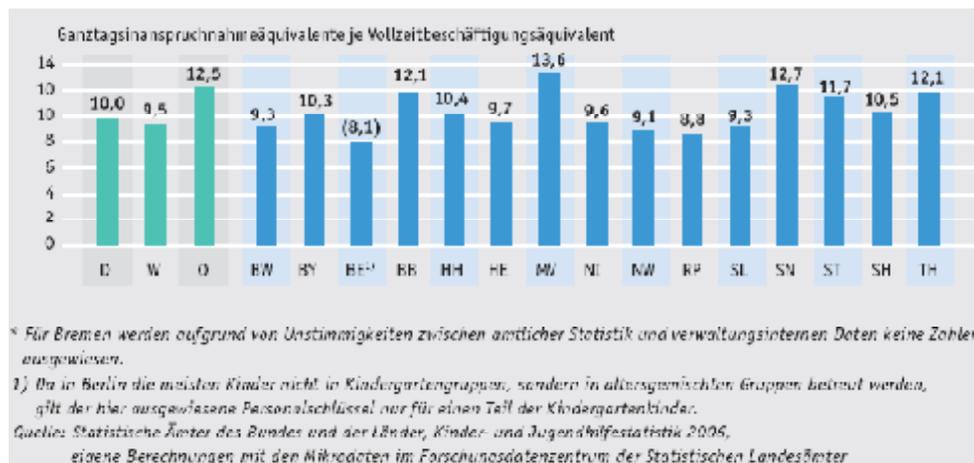
Guideline number eighteen of the BEPGs emphasizes the promotion of a life-cycle approach to work that includes the reduction of the youth unemployment and the reconciliation of work and private life (OPOCE, 2005: 30).

In May 2008, the BA registered a youth unemployment (people below 25 years) rate by 6,6 %. All-over 3,7 % of these persons are below 20 years old. The development of the last month is similar with the general unemployment rate. The rate for youths decreased by -1,4 % from February to May 2008. In comparison to the previous year, the rate was reduced by -1,3 %. However, there are again clear differences between the eastern and western part of Germany. The BA registered for the western part of Germany a relatively low rate by 5,2 % in May 2008. In contrast, the eastern rate amount to 12,2 % that is more than twice as high as the western rate. The reduction in comparison to the previous year is similar though. The unemployment rates decreased by -1,2 % respectively -1,4 % (BA, 2008: 45). However, the tendency of the unemployment rates for youths is dramatic. In 1991, the unemployment rate for persons below 25 years amounted to 5 %. In western Germany, the rate amount even to 3 %. The eastern rate stagnated from 1991 (12 %) to 2004 (11 %) and amounts today as mentioned before to 12,2 %. Especially foreign youths have difficulties to get a job. Almost 17 % of the foreign youths are

The goal attainment of the Lisbon objectives in the Federal Republic of Germany 29

unemployed (DESTATIS, 2006: 545). One reason for the high unemployment rates among youths is the high rate of persons without school-leaving qualification. Since years, this rate has increased for especially foreign youths and those in the eastern part of Germany (DESTATIS, 2006: 480). Corresponding to that, the chances for youths with a secondary modern school education diploma are relatively low. In 2004, half of the alumni of the lowest educational level were registered in temporarily measures (Anger & Plünnecke & Seyda, 2007: 8).

The solution of these educational disparities will stand at the centre of the educational policy in Germany for the next decades. The reduction of the rate of persons without an educational qualification and the increase of the quality of the educational and training systems can lead on to a lower youth unemployment rate. At present, the short-term development of the youth unemployment is positive. However, the tendency over the last decades is alarming. The reduction of the youth unemployment has to be one essential goal of the German government to assure the quality of the labour market in future. The Lisbon objective to reduce youth unemployment to 2010 is in danger and it is unrealistic that the reduction will proceed in a weaker economic atmosphere (projected GDP growth: 1,7 % in 2008). Another aspect of guideline number eighteen is the accessibility to childcare facilities. In the last decades, the general increase of the preschool education developed to a central goal of the educational, social and family policy. One long-term goal of the German government is to expand the day care facilities to achieve an over-all day care rate of 30 % in 2013. Furthermore, all children of the age above one should have a legal right to get a place in a day care facility (BMBF, 2008: 47).



Personal indicator: Pedagogic person in proportion to children (BMBF, 2008: 49)

In 2007, all-over 45.500 day care facilities were available for children under the age of six. In comparison to the previous year, the increase of facilities grew relatively low. However, the dominance of private facilities expanded from 5 % in 1990 to 56

% in 2007. The majority of the day care facilities is supplied from non-state actors (BMBF, 2008: 48).

One important indicator of the quality of day care facilities is the number of personal. In 2006, a personal indicator for whole-Germany of 1:10 was measured (see above). In whole-Germany, there cares one pedagogic person for ten children. However, this rate differs in the different Federal States because of the different organisation systems and traditions. Above all, there are differences between eastern and western Germany measured (see above). These disparities are approved by looking at the educational participation rate of children below the age of three (Chart 23). In the western part of Germany, in average 10 % of the children below the age of three visited day care facilities in 2007. A surpassing rate was only measured in agglomeration areas and university cities (more than 10 %). In the eastern part of Germany, the average rate of 41 % was measured. The rates ranges from 20 % to 59 %. These disparities can be explained by regional conditions (agrarian and agglomeration areas) and different policy emphases in the Federal States. The highest rates are registered in Saxony – Anhalt where a legal right of day care is guaranteed (BMBF, 2008: 51).

The rate of day care facilities in Germany increased in the last years and the German government declared themselves the ambitious goal to expand the facilities for 30 % of all children in 2013. In consideration of bare public finances, this goal is difficult to achieve for the state. However, the majority of the facilities is already private organised. If this amount will increase as expected in the next years a noticeable improvement of day care facilities can be measured. However, there exist high disparities between the eastern and western part of Germany. In eastern Germany, the goal of 30 % is already achieved. But the rate of the western part is still low which is not in line with the Lisbon Strategy yet.

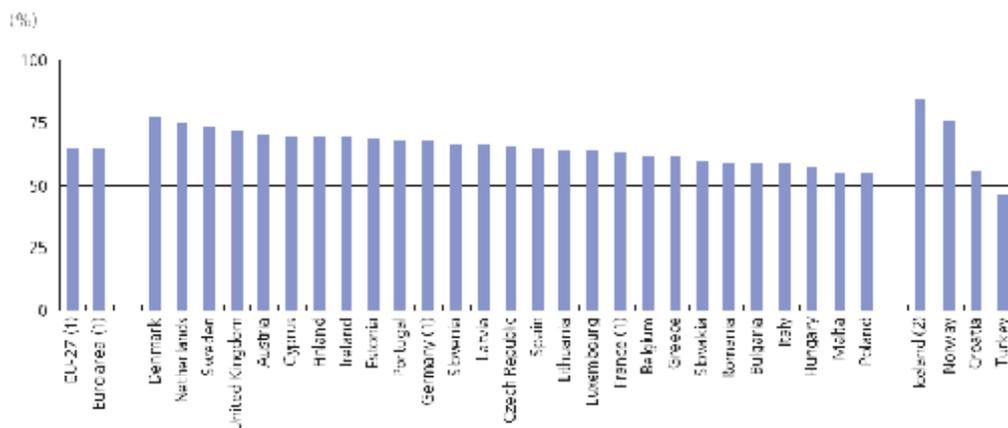
To sum up, the employment participation in Germany is growing and will grow until 2010. Thus, the Lisbon objective of 70 % over-all participation will be achieved. Furthermore, the woman participation rate almost achieved the 60 %-line. However, in consideration of the demographic situation, it is difficult to increase the participation rate of older workers. Furthermore, the unemployment rates in the eastern part of Germany are still alarming. The similarity of Chart 6, Chart 8 and Chart 21 shows the high correlation between economical strength, demographic tendencies and unemployment rates that is the reason for the concentration of the Lisbon Strategy on growth and jobs. Full employment to 2010 is only in the southern Federal States Bavaria and Baden Württemberg possible. The bad unemployment situation is approved by looking at the youth unemployment. The rate increased in the last years and is still high and not in line with the Lisbon objectives. Especially in

the eastern part, the rate is surpassing high. On the other hand, the accessibility of day care facilities in the eastern part developed well. However, the western rate is low and it is difficult to increase this rate in consideration of bare public finances.

3.3.2. The employment situation in Europe

In the following part, I will compare the German employment situation with the European one and I will describe some European tendencies.

The average employment rate among the 27-EU's population was 64 % in 2006. The majority of the member states is not in line with the Lisbon goal of 70 % yet. Only Denmark, the Netherlands, Sweden, the United Kingdom and Austria achieved an employment rate of 70 % or higher (see below). Germany is again not in an European top position (position 11). However, the employment rate in Germany increased in the last year and reached 69 % in 2008. Thus, the adherence of the Lisbon goals can be fulfilled by achieving a 70 % rate in 2010. Germany would catch up to the top ten of the European employment regions (OPOCE, 2008: 248).



(1) Provisional.
(2) 2005.

Source: Eurostat (2007)

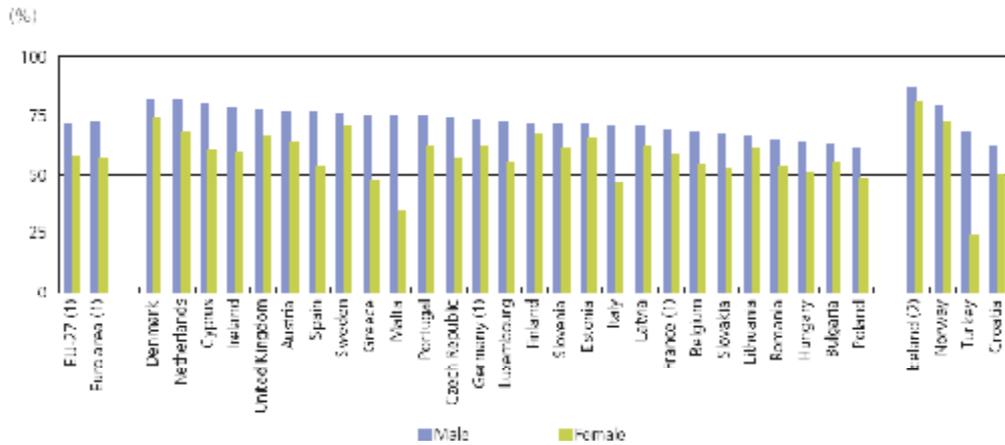
Employment rate, 2006 (OPOCE, 2008: 249)

The European-wide employment rate for women amounts to 57,2 % in 2006 (see below). Thirteen member states recorded the achievement of the Lisbon goal namely an employment rate for women of 60 %. Germany with its 59 % rate in 2004 is almost in line with the objective. In 2006, Germany achieved a women employment rate of 62 % which is completely in line with the Lisbon Strategy (OPOCE, 2008: 252).

By considering Chart 24 it becomes clear that the employment development of older workers is a step in the right direction. The employment rate for older people increased from 37,9 % in 2001 to 48,4 % in 2006. However, the unemployment rate among persons between the age of 55 to 64 is surpassing high (Chart 20). Moreover, the amount of people above the age of 50 will increase in the next years

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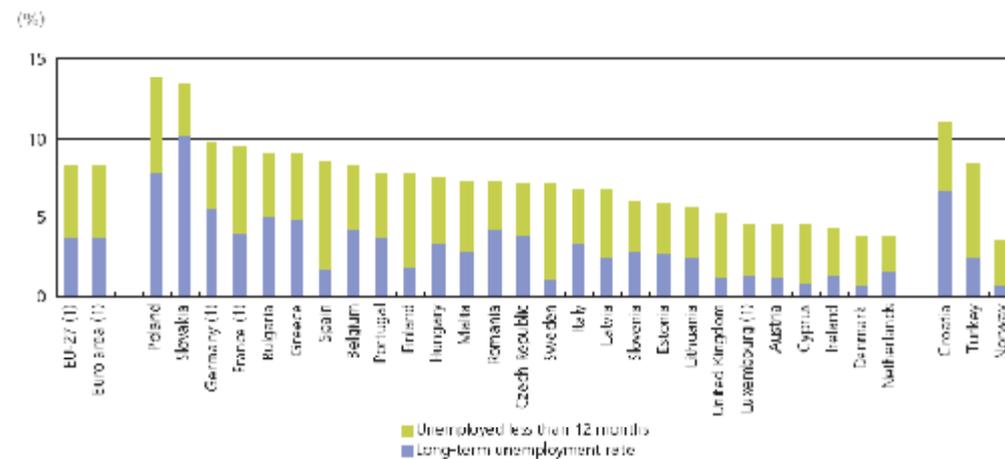
because of the demographic situation. This fact will make it difficult to achieve the 50 %-line of Lisbon in 2010 (OPOCE, 2008: 253).



(1) Provisional.
 (2) 2005.
 Source: Eurostat (tslem013 and tslem012)

Employment rate by gender, 2006 (OPOCE, 2008: 252)

The average unemployment rate in the EU amount to 8,2 % in 2006 (see below). In 2006, Germany's unemployment rate was surpassing. Besides the two new member states Poland and Slovakia, Germany registered the third highest unemployment rate in Europe. Especially the high long-term unemployment rate is noticeable. The high rate is attributed to the high unemployment rates in the eastern part of Germany that was analysed above. The German unemployment situation in Europe is still dramatic and the German labour market is far away from full-employment that was the goal of the Lisbon Strategy (OPOCE, 2008: 261).



(1) Provisional.
 Source: Eurostat (sle061 and slem011)

Unemployment rates by duration, 2006 (OPOCE, 2008: 261)

On the other hand, the youth unemployment rate is below the EU-27 average (Chart 25). However, the development of the rate in the last years plus the surpassing youth unemployment rates in the east are dramatic. The rate increased regularly in

the last years and it is a bad sign for the quality of the education and training system of Germany. However, the situation for the youths in other European countries is also problematic. Except Denmark and the Netherlands, no member state registered a youth unemployment rate below 8 % in 2006 (OPOCE, 2008: 262). In May 2008, the situation improved. However, the date is not comparable because of missing dates of the EU.

The German position in pre-school facilities is only moderate (Chart 26). Belgium, France, Italy and Spain register education participation rates of 100 % because of the compulsory pre-school education. Only the eastern part of Germany registers high general participation rates for children below the age of six because of the traditional and political aspects. In this aspect, the western part falls behind the east. This disparities result in the moderate position of Germany in Europe (OPOCE, 2008: 168).

In general, the position of the German labour market is only moderate. The over-all employment rate is in line with the Lisbon Strategy. However, other labour markets are characterized by more flexibility and competitiveness. In contrast, the participation rate of German women is in the European comparison relatively high. On the other hand, the situation for older workers is in other countries far more better than in Germany. The German unemployment situation improved in the last months. However, Germany registers still one of the highest unemployment rates in Europe. Especially the rate of the long-term unemployed person is relatively high. The situation for young employers is almost in all European countries alarming. The unemployment rate of youths in Germany increased also in the last decades. The accessibility to day care facilities is only in the eastern part of Germany in line with the Lisbon objectives. Thus, Germany holds again only a moderate position in Europe. To sum up, the German policy got a lot of things to do in the field of employment policy.

3.4. Overview of the goal attainment in Germany

<i>BEPGs</i>	<i>achieved yet</i>	<i>doable to 2010</i>
1) To secure economic stability - no balanced growth	/	-
2) To safeguard economic and fiscal sustainability - bad demographic situation - increasing prices	-	-
6) To contribute to a dynamic and well-functioning EMU + if the moderate spending proceeds + if the 3 %- line is kept	+	+
7) To increase and improve investment in R&D, in particular by private business + if the increased spending for R&D proceeds	-	+
15) To promote a more entrepreneurial culture and create a supportive environment for SMEs + if the reforms are effective	/	+
17) Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion + high average employment rate + high woman participation - accentuated situation for older workers - no full employment	/	-
18) Promote a life-cycle approach to work - bad development of the youth unemployment - low day care accessibility in the western part	-	-

+ achieved or doable to 2010

/ in general in line with the BEPGs or partly achieved

- not achieved or not doable to 2010

(own figure)

4. Conclusion

The German government and policy registered the importance of the Lisbon Strategy and tried to implement the guidelines. However, the German policy is confronted with complex problems and situations.

First of all, the German economy suffers from high disparities between the eastern and the western part. Second, the bad demographic situation and the increasing prices in the last months threaten the welfare systems and the stability of economic

growth. Third, the situation of the public finances improved in the budget year 2007 and is in line with the Stability and Growth Pact. However, the liabilities are still very high and the balanced budget in 2011 can only be achieved by the proceeding of the moderate spending. Fourth, the R&D spending does not achieve the 3 %-line and can only be achieved by the proceeding of the increased spending to 2010. Fifth, the promotion of an entrepreneurial culture is only achieved to 2010 if the reforms are effective. Sixth, in Germany there exists no full-employment. Seventh, the youth unemployment is still high and the German-wide accessibility to day care facilities is not achieved. However, the general and over-all situation in Germany is not as bad as this summary suggests. Most of the problems are detailed. On the other hand, some developments are positive. For example, Germany registered the lowest inflation rates in Europe in the last years, the job participation rate of woman is high and Germany holds a top position in the R&D spending in Europe. Even some of the economical weak regions in the east register high GDP growth rates and decreasing unemployment rates. Furthermore, the over-all employment situation improved noticeable in the last months.

The German economy has got potential to achieve the Lisbon objectives with a delay. However, the detailed analysis of this Bachelor Thesis shows that the German economy is not a dynamic one with more and better jobs yet. Furthermore, the German economy does not take a leading role in Europe. Smaller and more flexible countries like the Netherlands and Denmark take that leading role in achieving the majority of the Lisbon objectives. If the positive economical development proceeds and the unemployment rate decreases noticeable especially in the east plus the balanced budget is achieved to 2010 Germany holds an improved position in Europe. The effectiveness of the current reforms must be assured and the policy have to concentrate on the solution of the high disparities and the minimisation of the risk factors for the German economy. The year 2007 was a successful year for economy, state finances and employment. If this development proceeds, Germany has got a chance to achieve a state-wide dynamic economy with more and better jobs in the next decades. The attainment of the Lisbon goals is highly recommend to ensure sustainability for the future generations and face the global challenges. Risk factors like the high inflation rates and decreasing GDP rates caused by the financial crisis are the first signs for the high risk of the attainment of the goals in the future. Europe has to act uniform and effective to face this new challenges. It is recommend that Germany takes a leading role in this process. Thus, the German policy has to focus and to concentrate on the proceeding of the positive development of the year 2007 in the next three years. It would lead on to an improved situation for whole-Germany and its people.

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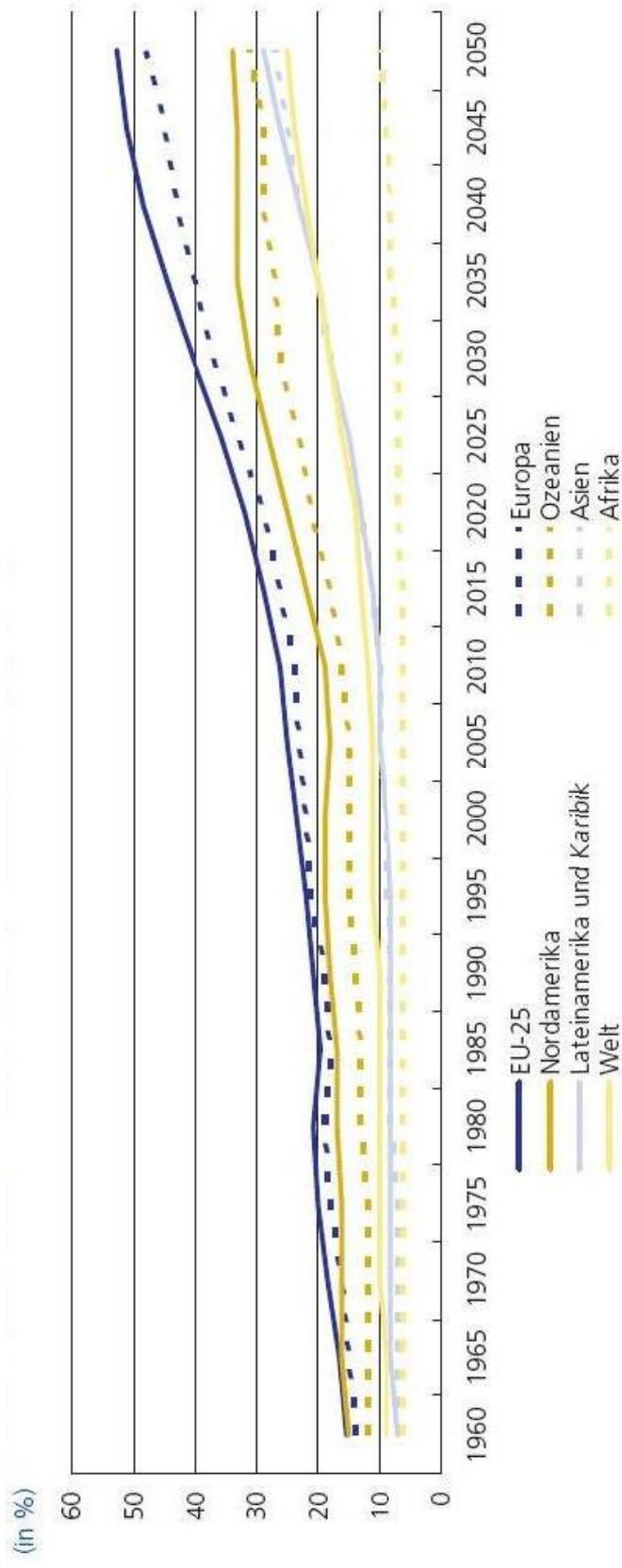
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Chart 1: Ratio of older persons in selected regions of the world (OPOCE, 2007b: P. 63)



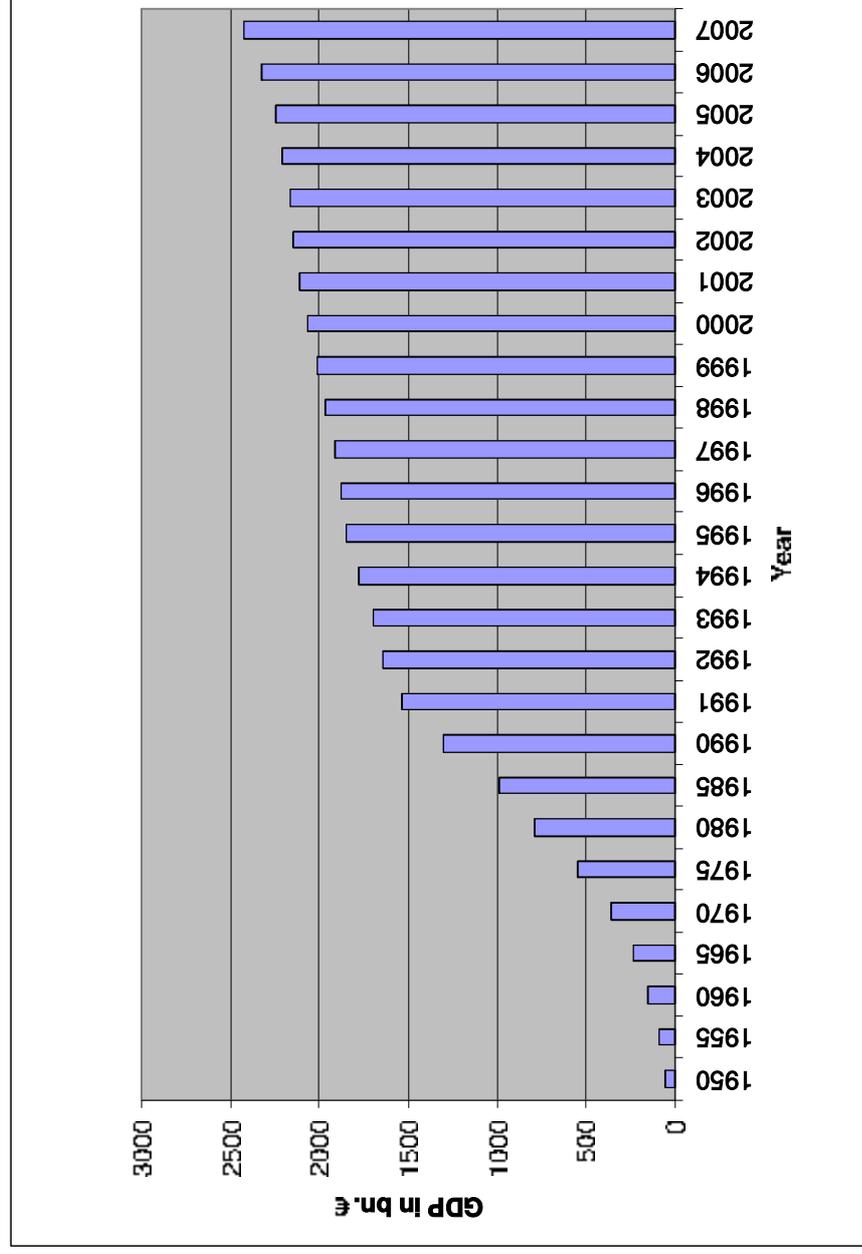
Quelle (ohne EU-25): Vereinte Nationen, Abteilung Bevölkerung der Hauptabteilung Wirtschaftliche und Soziale Angelegenheiten
 Verhältnis der Gesamtzahl älterer Menschen in einem Alter, in dem man im Allgemeinen nicht mehr erwerbsaktiv ist (ab 65 Jahren), zur Anzahl der
 Personen im erwerbsfähigen Alter (15 bis 64 Jahre).

Chart 2: Share of GDP in Euro of ESPON countries 2003 (BBR, 2006: P. 16)

ESPON countries	100.0
European Union	95.1
Austria	2.2
Belgium	2.6
Cyprus	0.1
Czech Republic	0.8
Denmark	1.8
Estonia	0.1
Finland	1.4
France	15.1
Germany	20.7
Greece	1.5
Hungary	0.7
Ireland	1.3
Italy	12.8
Latvia	0.2
Lithuania	0.1
Luxembourg	0.2
Malta	0.0
Netherlands	4.6
Poland	1.8
Portugal	1.3
Slovakia	0.3
Slovenia	0.2
Spain	7.5
Sweden	2.6
United Kingdom	15.3
Bulgaria	0.2
Romania	0.5
Norway	1.5
Switzerland	2.7

Source: Eurostat

Chart 3: GDP in billion € from 1950 to 2007 (DESTATIS, 2007a: 10)



(own figure)

Chart 4: GDP growth rate in the Federal States of Germany in 2006 (DESTATIS, 2007b: 623)

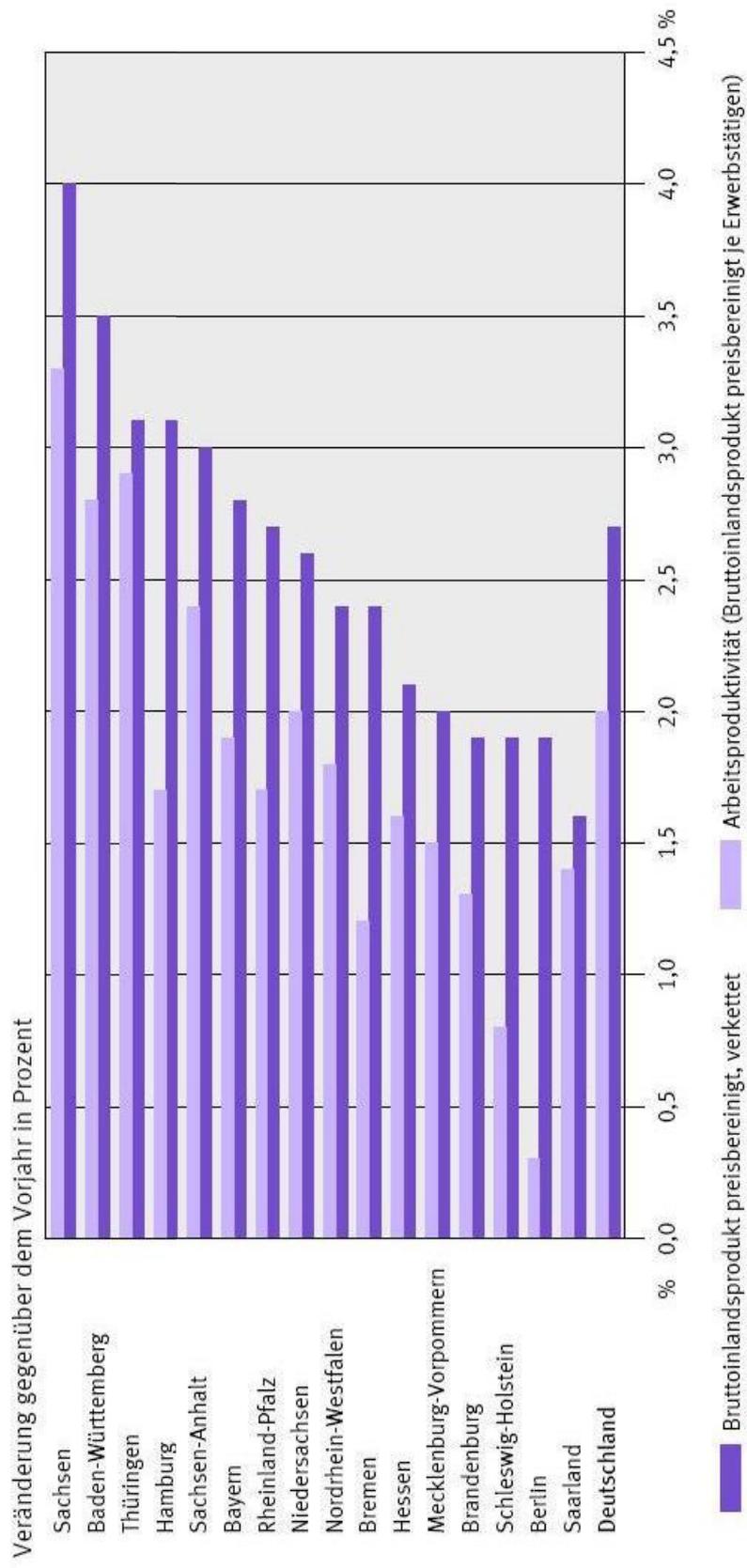
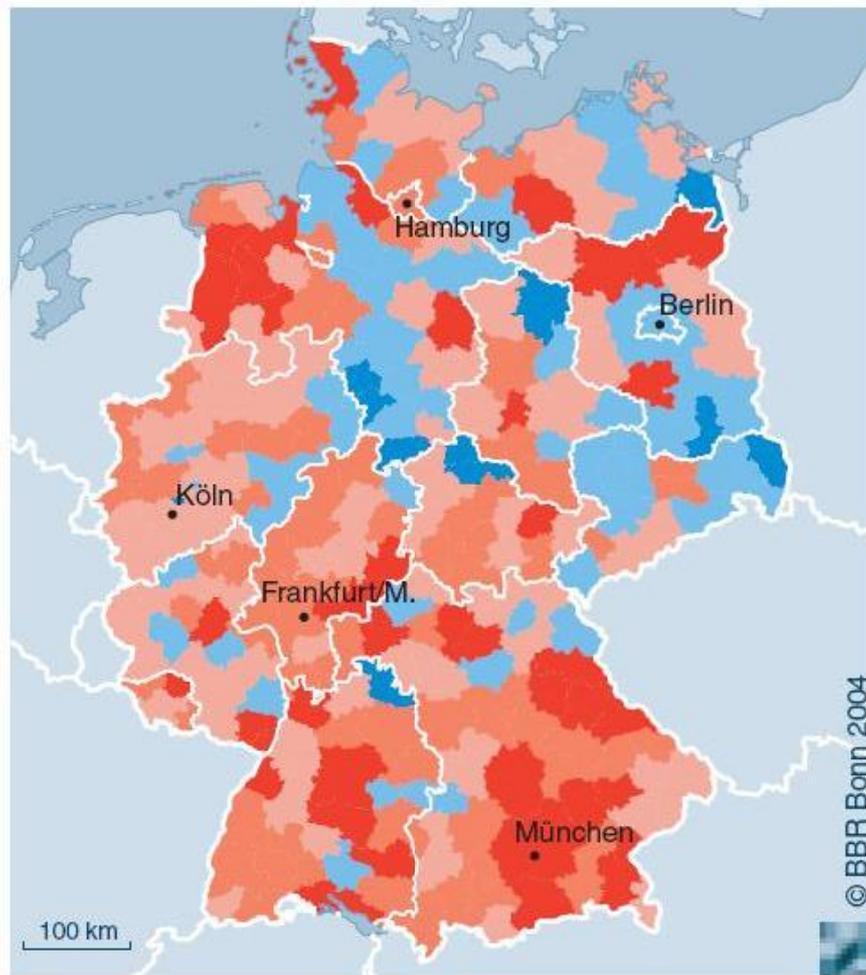
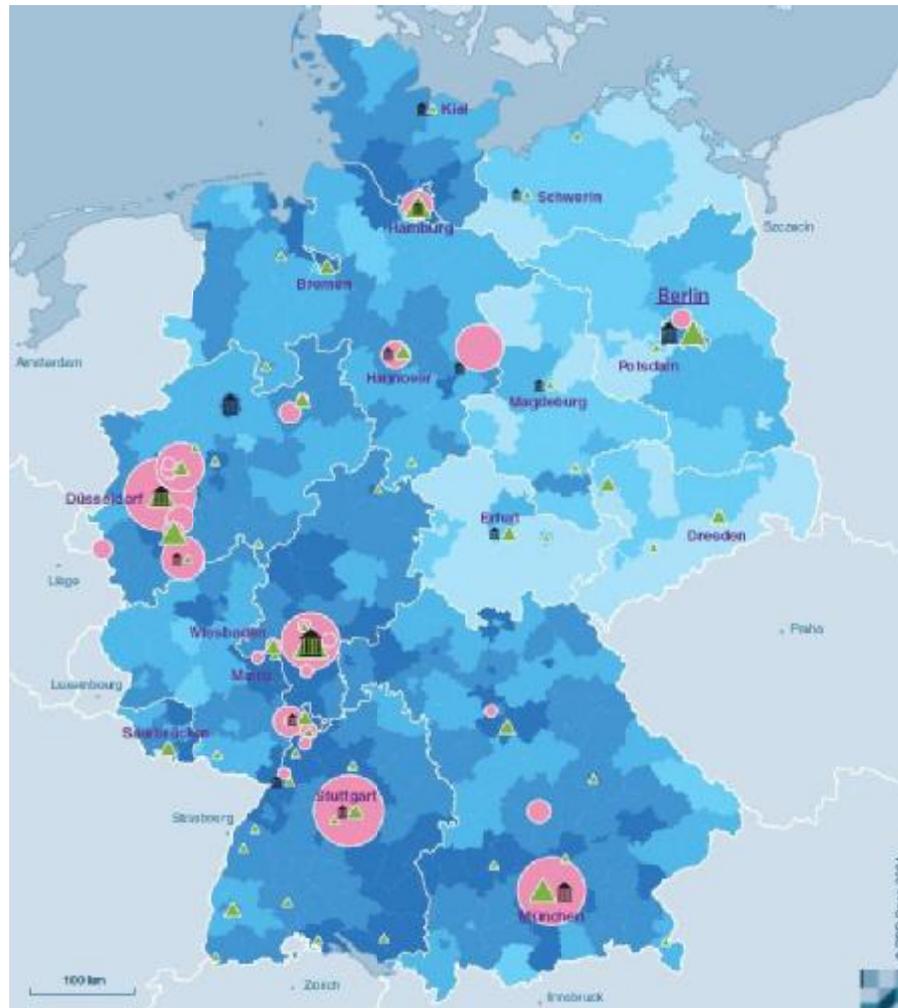


Chart 5: GDP growth rates in employment regions from 1996 to 2002
(DESTATIS, 2006: 195)



Arbeitsmarktregionen, Stand 31. 12. 2002
 Quelle: Laufende Raumbewachung des BBR
 Datengrundlage: Arbeitskreis "Volkswirtschaftliche
 Gesamtrechnung der Länder"

Chart 6: Per capita GDP rate and volume of the Global player in Germany (BBR, 2005: 218)



Umsatz insgesamt der 1 000 umsatzstärksten Unternehmen der Welt am Ort 2000 in Mio. US-Dollar



Bruttoinlandsprodukt je Erwerbstätigen 2002 in Euro

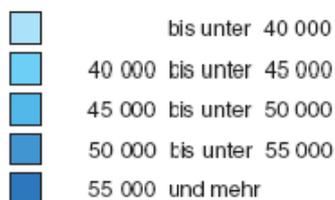
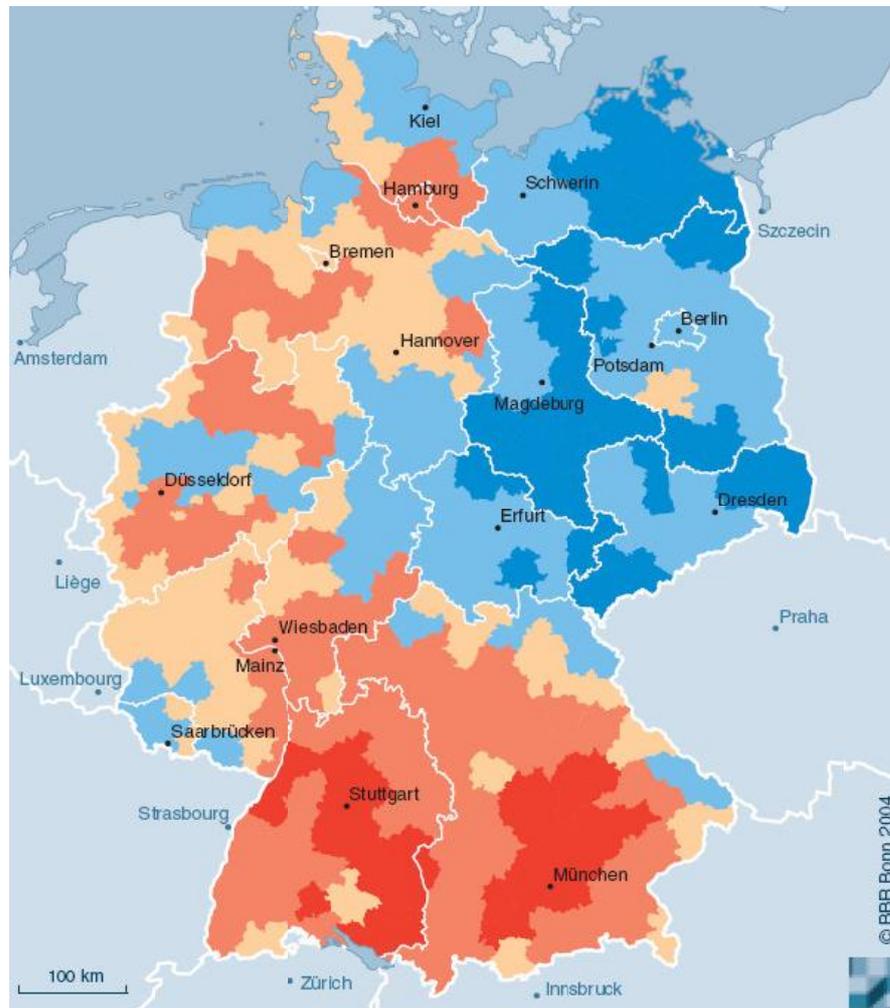


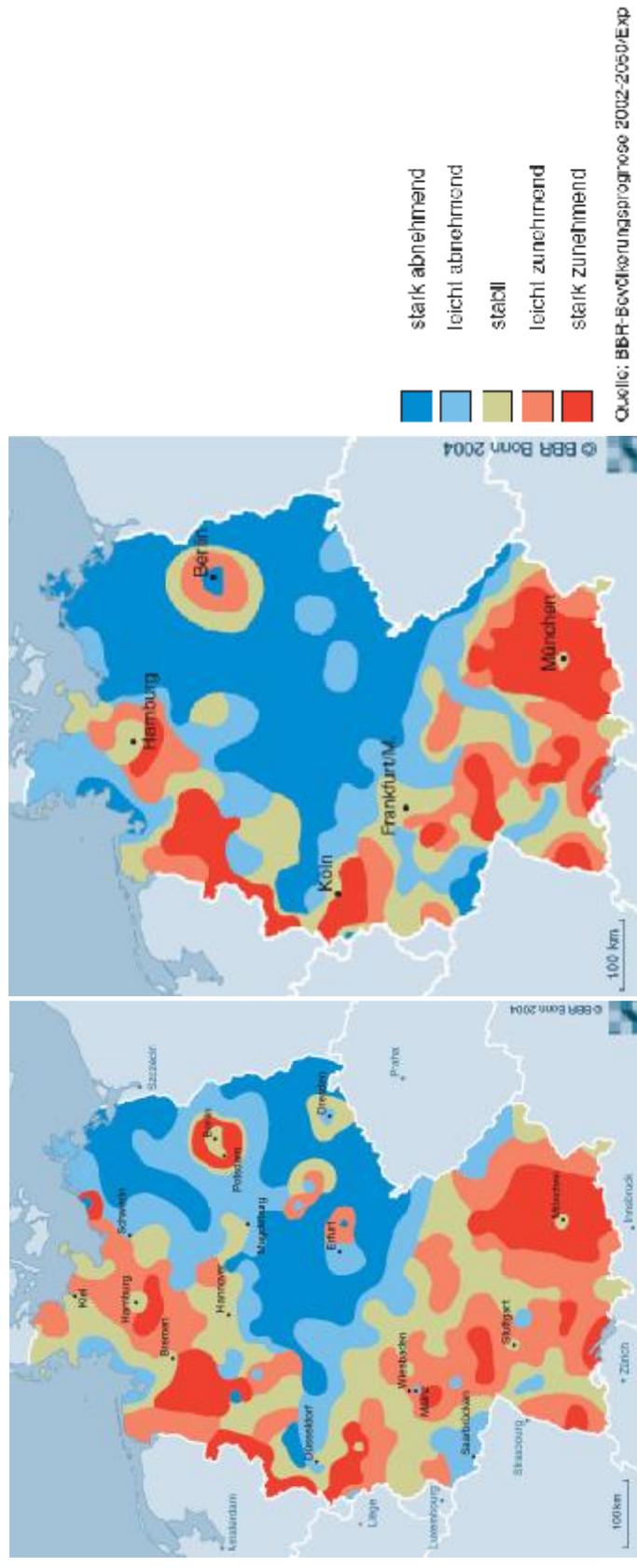
Chart 7: Regional stage of development (BBR, 2005: 189)



- deutlich unterdurchschnittlich
- unterdurchschnittlich
- durchschnittlich
- überdurchschnittlich
- deutlich überdurchschnittlich

Arbeitsmarktsregionen, Stand 31. 12. 2002
 Quelle: Laufende Raumbewertung des BBR
 Datengrundlagen:
 Fortschreibung des Bevölkerungsstandes des Bundes und der Länder
 Beschäftigtenstatistik der Bundesagentur für Arbeit
 Arbeitsmarktsstatistik der Bundesagentur für Arbeit
 Arbeitskreis "Volkswirtschaftliche Gesamtrechnung der Länder"

Chart 8: Tendency of the population development in Germany to 2020 and 2050 (BBR, 2005: 70)



Change of population between 2002 and 2050

Change of population between 2002 and 2020

Chart 9: Development of the liabilities of the State from 1982 to 2008 (EMF, 2007a: 6)

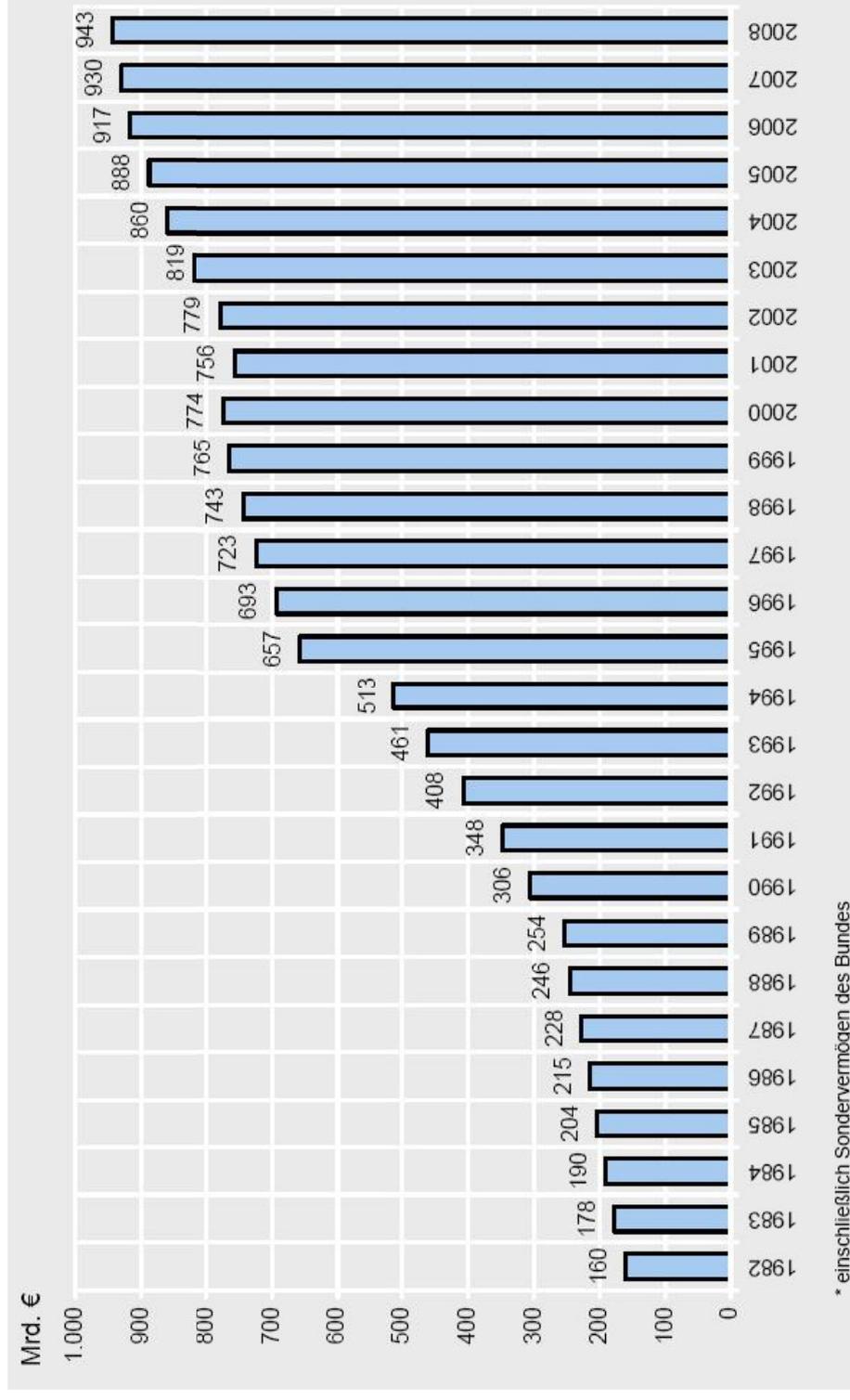


Chart 10: Development of the state financing balance to 2011 (BMF, 2007b: 65)

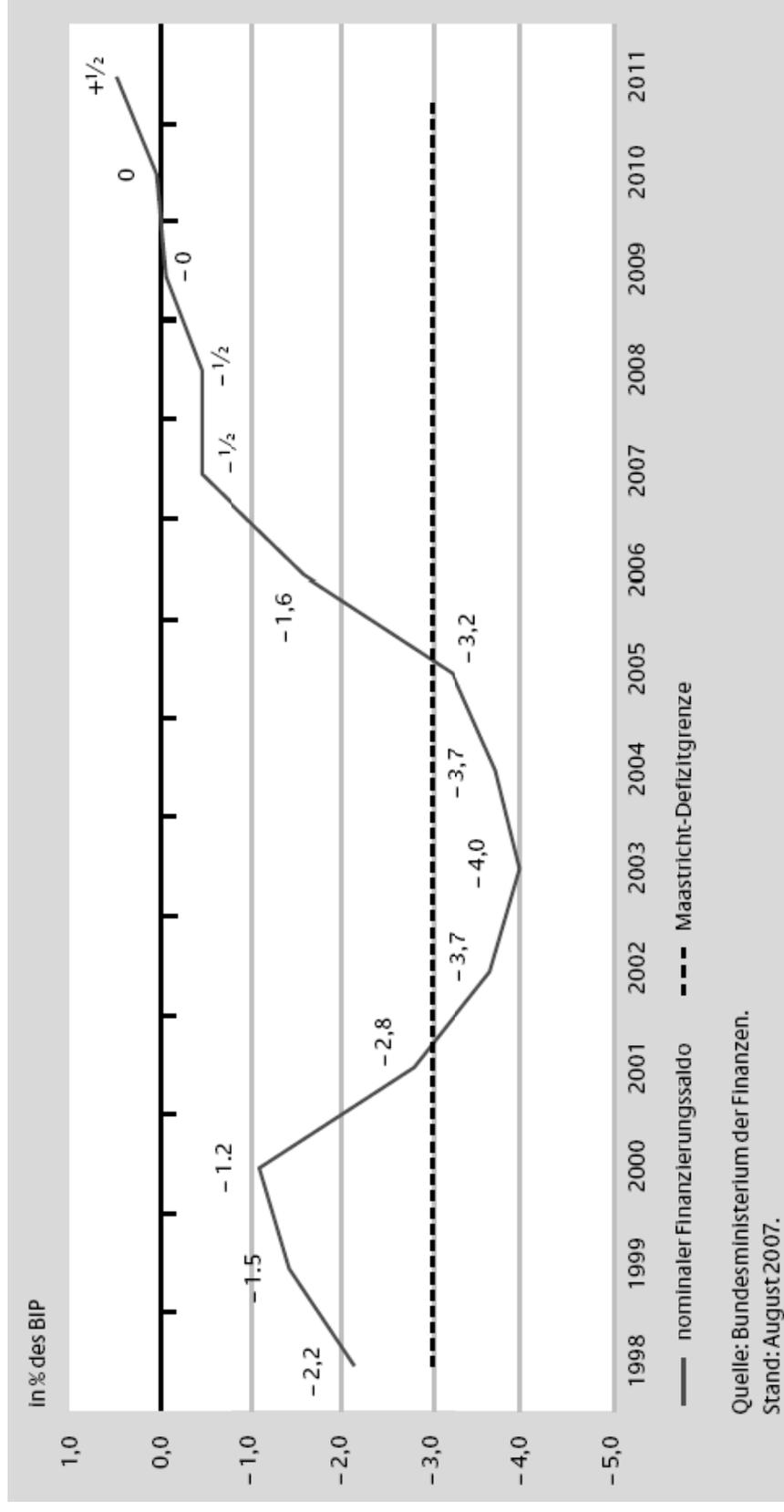


Chart 11: Financial plan of the German State from 2007 to 2011 (BMF, 2007a: 9)

	Ist 2006	Soll 2007	Entwurf 2008	Finanzplan		
				2009	2010	2011
1	2	3	4	5	6	7
	Mrd. €					
I. Ausgaben	261,0	270,5	283,2	285,5	288,5	289,7
Veränderung ggü. Vorjahr in Prozent		+3,6	+4,7	+0,8	+1,1	+0,4
II. Einnahmen	261,0	270,5	283,2	285,5	288,5	289,7
Steuereinnahmen	203,9	220,5	237,1	247,9	252,6	260,3
Sonstige Einnahmen	29,2	30,4	33,2	27,1	30,0	29,4
Nettokreditaufnahme	27,9	19,6	12,9	10,5	6,0	-
<u>nachrichtlich:</u>						
Ausgaben für Investitionen	22,7	24,0	24,3	24,1	24,1	23,7

Chart 12: Spending for education and research of the BMBF from 1994 to 2011 (BMBF, 2007a: 34)

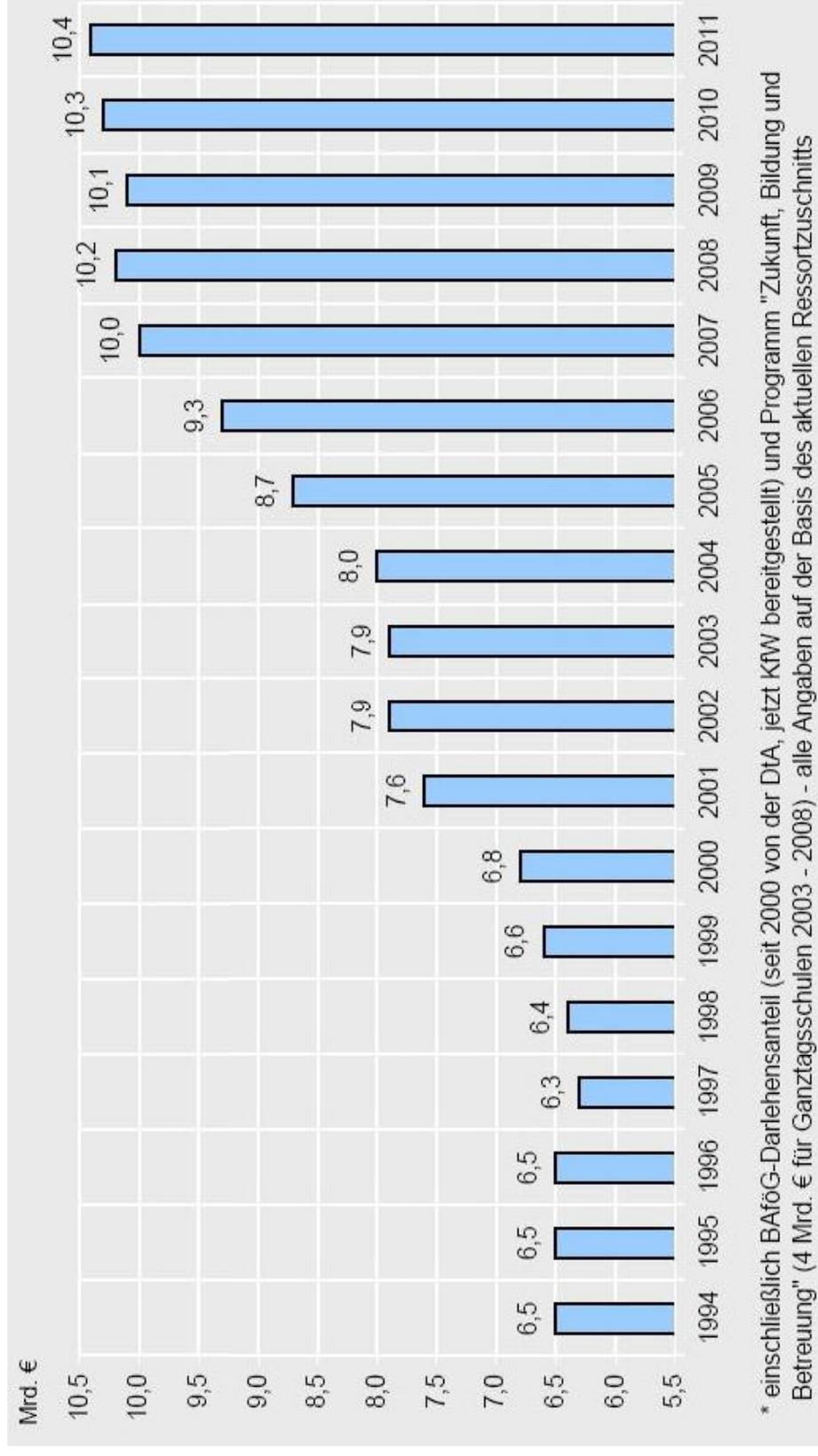


Chart 13: Change in the regional share (NUTS 3) of national population and per capita GDP in NUTS 2 regions (OPOCE, 2007c: 27, 32)

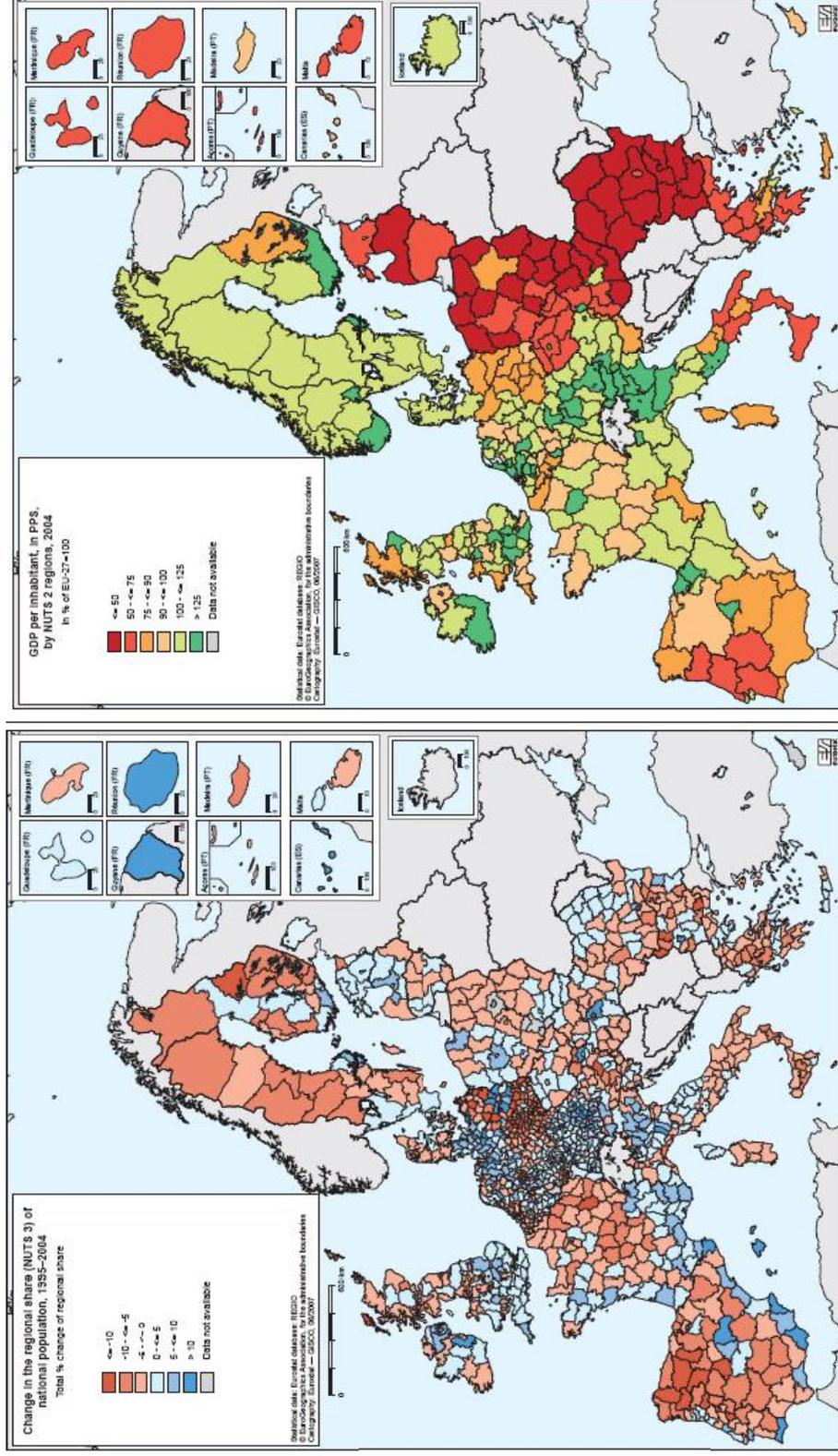


Chart 14: HICP in Europe (yearly change rate) (OPOCE, 2008: 137)

(% change compared with previous year, based on the harmonized index of consumer prices)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
EU (1)	: 1.7	1.3	1.2	1.9	2.2	2.1	2.0	2.0	2.2	2.2	2.2
Euro area (2)	: 1.6	1.1	1.1	2.1	2.3	2.2	2.1	2.1	2.2	2.2	2.2
Belgium	: 1.5	0.9	1.1	2.7	2.4	1.6	1.5	1.9	2.5	2.3	
Bulgaria	: :	18.7	2.6	10.3	7.4	5.8	2.3	6.1	6.0	7.4	
Czech Republic	: 8.0	9.7	1.8	3.9	4.5	1.4	-0.1	2.6	1.6	2.1	
Denmark	: 2.0	1.3	2.1	2.7	2.3	2.4	2.0	0.9	1.7	1.9	
Germany	: 1.5	0.6	0.6	1.4	1.9	1.4	1.0	1.8	1.9	1.8	
Estonia	: 9.3	8.8	3.1	3.9	5.6	3.6	1.4	3.0	4.1	4.4	
Ireland	: 1.3	2.1	2.5	5.3	4.0	4.7	4.0	2.3	2.2	2.7	
Greece	: 5.4	4.5	2.1	2.9	3.7	3.9	3.4	3.0	3.5	3.3	
Spain	: 1.9	1.8	2.2	3.5	2.8	3.6	3.1	3.1	3.4	3.6	
France	: 1.3	0.7	0.6	1.8	1.8	1.9	2.2	2.3	1.9	1.9	
Italy	: 1.9	2.0	1.7	2.6	2.3	2.6	2.8	2.3	2.2	2.2	
Cyprus	: 3.3	2.3	1.1	4.9	2.0	2.8	4.0	1.9	2.0	2.2	
Latvia	: 8.1	4.3	2.1	2.6	2.5	2.0	2.9	6.2	6.9	6.6	
Lithuania	: 10.3	5.4	1.5	1.1	1.6	0.3	-1.1	1.2	2.7	3.8	
Luxembourg	: 1.4	1.0	1.0	3.8	2.4	2.1	2.5	3.2	3.8	3.0	
Hungary	: 18.5	14.2	10.0	10.0	9.1	5.2	4.7	6.8	3.5	4.0	
Malta	: 3.9	3.7	2.3	3.0	2.5	2.6	1.9	2.7	2.5	2.6	
Netherlands	: 1.9	1.8	2.0	2.3	5.1	3.9	2.2	1.4	1.5	1.7	
Austria	: 1.2	0.8	0.5	2.0	2.3	1.7	1.3	2.0	2.1	1.7	
Poland	: 15.0	11.8	7.2	10.1	5.3	1.9	0.7	3.6	2.2	1.3	
Portugal	: 1.9	2.2	2.2	2.8	4.4	3.7	3.3	2.5	2.1	3.0	
Romania	: 154.8	59.1	45.8	45.7	34.5	22.5	15.3	11.9	9.1	6.6	
Slovenia	: 8.3	7.9	6.1	8.9	8.6	7.5	5.7	3.7	2.5	2.5	
Slovakia	: 6.0	6.7	10.4	12.2	7.2	3.5	8.4	7.5	2.8	4.3	
Finland	: 1.2	1.3	1.3	2.9	2.7	2.0	1.3	0.1	0.8	1.3	
Sweden	: 1.8	1.0	0.5	1.3	2.7	1.9	2.3	1.0	0.8	1.5	
United Kingdom	: 1.8	1.6	1.3	0.8	1.2	1.3	1.4	1.3	2.1	2.3	
Turkey	: 85.6	82.1	61.4	53.2	56.8	47.0	25.3	10.1	8.1	9.3	
Iceland	: 1.8	1.3	2.1	4.4	6.6	5.3	1.4	2.3	1.4	4.6	
Norway	: 2.6	2.0	2.1	3.0	2.7	0.8	2.0	0.6	1.5	2.5	
Japan (3)	0.1	1.8	0.6	-0.3	-0.7	-0.7	-0.9	-0.3	0.0	-0.3	0.3
United States (3)	3.0	2.3	1.6	2.2	3.4	2.8	1.6	2.3	2.7	3.4	3.2

(1) The data refer to the official EU aggregate, its country coverage changes in line with the addition of new EU Member States and integrates them using a chain index formula.

(2) The data refer to the official euro area aggregate, its country coverage changes in line with the addition of new EU Member States and integrates them using a chain index formula.

(3) National CPI: not strictly comparable with the HICP.

Source: Eurostat (tsleb040)

Chart 15: State financing balance and structural deficit (OPOCE, 2007b: 163)

	Öffentlicher Finanzierungssaldo (Konsolidierter Finanzierungssaldo des Staates in % des BIP)				Öffentlicher Schuldenstand (Konsolidierter Bruttoschuldenstand des Staates in % des BIP)			
	2002	2003	2004	2005	2002	2003	2004	2005
EU-25	-2,3	-3,0	-2,6	-2,3	60,5	62,0	62,4	63,4
EU-15	-2,2	-2,9	-2,6	-2,3	61,5	63,1	63,4	64,6
Eurozone	-2,5	-3,0	-2,8	-2,4	68,1	69,3	69,8	70,8
Belgien	0,0	0,1	0,0	0,1	103,2	98,5	94,7	93,3
Tschech. Republik	-6,8	-6,6	-2,9	-2,6	28,8	30,0	30,6	30,5
Dänemark	1,2	1,0	2,7	4,9	46,8	44,4	42,6	35,8
Deutschland	-3,7	-4,0	-3,7	-3,3	60,3	63,8	65,5	67,7
Estland	1,0	2,4	1,5	1,6	5,5	6,0	5,4	4,8
Griechenland	-4,9	-5,8	-6,9	-4,5	110,7	107,8	108,5	107,5
Spanien	-0,3	0,0	-0,1	1,1	52,5	48,9	46,4	43,2
Frankreich	-3,2	-4,2	-3,7	-2,9	58,2	62,4	64,4	66,8
Irland	-0,4	0,2	1,5	1,0	32,1	31,1	29,4	27,6
Italien	-2,9	-3,4	-3,4	-4,1	105,5	104,2	103,8	106,4
Zypern	-4,5	-6,3	-4,1	-2,4	65,2	69,7	71,7	70,3
Lettland	-2,3	-1,2	-0,9	0,2	13,5	14,4	14,6	11,9
Litauen	-1,4	-1,2	-1,5	-0,5	22,3	21,2	19,5	18,7
Luxemburg	2,0	0,2	-1,1	-1,9	6,5	6,3	6,6	6,2
Ungarn	-8,4	-6,4	-5,4	-6,1	55,0	56,7	57,1	58,4
Malta	-5,6	-10,2	-5,1	-3,3	61,2	71,3	76,2	74,7
Niederlande	-2,0	-3,1	-1,9	-0,3	50,5	51,9	52,6	52,9
Österreich	-0,5	-1,5	-1,1	-1,5	66,0	64,4	63,6	62,9
Polen	-3,2	-4,7	-3,9	-2,5	39,8	43,9	41,9	42,5
Portugal	-2,9	-2,9	-3,2	-6,0	55,5	57,0	58,7	63,9
Slowenien	-2,7	-2,8	-2,3	-1,8	29,7	29,1	29,5	29,1
Slowakei	-7,7	-3,7	-3,0	-2,9	43,3	42,7	41,6	34,5
Finnland	4,1	2,5	2,3	2,6	41,3	44,3	44,3	41,1
Schweden	-0,2	0,1	1,8	2,9	52,0	51,8	50,5	50,3
Verein. Königreich	-1,6	-3,3	-3,3	-3,6	37,6	39,0	40,8	42,8
Bulgarien	0,1	0,3	1,9	3,1	54,0	46,1	38,6	29,9
Kroatien	-4,1	-4,5	-5,0	-3,9	40,0	40,9	43,7	44,2
Rumänien	-2,0	-1,7	-1,3	-0,4	23,8	20,7	18,0	15,2
Türkei	-12,9	-11,3	-5,7	-1,2	93,0	85,1	76,9	69,6
Island	-0,4	-1,6	0,1	:	43,6	41,4	36,8	:
Norwegen	9,3	7,5	11,4	16,2	36,1	44,8	46,3	44,7
Schweiz	-0,8	:	:	:	25,7	:	:	:

Öffentlicher Schuldenstand: Der staatliche Sektor gliedert sich in die Teilsektoren Bund (Zentralstaat), Länder, Gemeinden und Sozialversicherung; die Verbindlichkeiten werden zum Nominalwert (Nennwert) bewertet, Fremdwährungsverbindlichkeiten werden zu Jahresend-Devisenmarktkursen in Landeswährung umgerechnet (mit gesonderten Bestimmungen für Verträge).

Die Daten wurden Ende Juni 2006 der Eurostat-Datenbank entnommen. Sie geben nicht die revidierten Daten wieder, welche die Länder im Zuge der letzten Datenabermittlung im Rahmen des Verfahrens bei übermäßigem Defizit bereitgestellt hatten und welche Änderungen bei Schulden- und Defizitdaten einschlossen, insbesondere für 2005; jüngste Daten dazu finden sich in der Eurostat-Pressemitteilung vom 23. Oktober 2006 und in der Eurostat-Datenbank.

Chart 16: R&D spending proportional to the national GDP (OPOCE, 2008: 473)

(% of GDP)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
EU-27	:	:	:	1.80	1.85	1.86	1.88	1.88	1.87	1.84	1.84
Euro area	1.79	1.73	1.77	1.79	1.83	1.85	1.87	1.88	1.87	1.86	1.86
Belgium	1.67	1.77	1.83	1.86	1.94	1.97	2.08	1.94	1.89	1.85	1.82
Bulgaria (1, 2)	0.62	0.52	0.51	0.57	0.57	0.52	0.47	0.49	0.50	0.51	0.50
Czech Republic (3)	0.95	0.97	1.08	1.15	1.14	1.21	1.20	1.20	1.25	1.26	1.42
Denmark	1.82	1.84	1.92	2.04	2.18	2.24	2.39	2.51	2.56	2.48	2.44
Germany	2.19	2.19	2.24	2.27	2.40	2.45	2.46	2.49	2.52	2.50	2.51
Estonia	:	:	:	0.58	0.70	0.61	0.71	0.72	0.79	0.88	0.94
Ireland	1.26	1.30	1.27	1.23	1.18	1.23	1.10	1.10	1.16	1.21	1.25
Greece (3)	0.49	:	0.51	:	0.67	:	0.64	:	0.63	0.61	0.61
Spain	0.79	0.81	0.80	0.87	0.86	0.91	0.91	0.99	1.05	1.06	1.12
France (4, 5)	2.29	2.27	2.19	2.14	2.16	2.15	2.20	2.23	2.17	2.14	2.13
Italy (4)	0.97	0.99	1.03	1.05	1.02	1.05	1.09	1.13	1.11	1.10	:
Cyprus	:	:	:	0.22	0.23	0.24	0.25	0.30	0.35	0.37	0.40
Latvia	0.47	0.42	0.38	0.40	0.36	0.44	0.41	0.42	0.38	0.42	0.57
Lithuania (1)	0.44	0.50	0.54	0.55	0.50	0.59	0.67	0.66	0.67	0.76	0.76
Luxembourg	:	:	:	:	:	1.65	:	:	1.66	1.66	1.56
Hungary	0.73	0.65	0.72	0.68	0.69	0.78	0.92	1.00	0.93	0.88	0.94
Malta (6)	:	:	:	:	:	:	:	0.26	0.26	0.63	0.61
Netherlands (1)	1.97	1.98	1.99	1.90	1.96	1.82	1.80	1.72	1.76	1.78	:
Austria	1.54	1.59	1.69	1.77	1.88	1.91	2.04	2.12	2.21	2.23	2.36
Poland (3)	0.63	0.65	0.65	0.67	0.69	0.64	0.62	0.56	0.54	0.56	0.57
Portugal	0.54	0.57	0.59	0.65	0.71	0.76	0.80	0.76	0.74	0.77	0.81
Romania	:	:	:	0.49	0.40	0.37	0.39	0.38	0.39	0.39	:
Slovenia	1.57	1.33	1.31	1.37	1.41	1.43	1.55	1.52	1.32	1.45	1.22
Slovakia (4)	0.92	0.90	1.07	0.78	0.65	0.65	0.63	0.57	0.58	0.51	0.51
Finland	2.26	2.52	2.70	2.86	3.16	3.34	3.30	3.36	3.43	3.46	3.48
Sweden (3)	3.32	:	3.51	3.59	3.62	:	4.25	:	3.95	:	3.86
United Kingdom	1.95	1.87	1.81	1.80	1.87	1.86	1.83	1.83	1.79	1.73	:
Croatia	:	:	:	:	:	:	:	1.11	1.11	1.22	:
Turkey	0.38	0.45	0.49	0.50	0.63	0.64	0.72	0.66	:	:	:
Iceland	1.53	:	1.83	2.01	2.31	2.69	2.98	2.99	2.86	2.83	:
Norway (3)	1.70	:	1.64	:	1.65	:	1.60	1.67	1.73	1.62	1.51
Switzerland	:	2.67	:	:	:	2.57	:	:	:	2.93	:
Japan (1)	2.92	2.82	2.89	3.02	3.04	3.05	3.13	3.18	3.20	:	:
United States (7)	2.49	2.53	2.56	2.61	2.65	2.73	2.74	2.64	2.67	2.67	:

(1) Break in series, 1996.

(2) Break in series, 1999.

(3) Break in series, 1995.

(4) Break in series, 1997.

(5) Break in series, 2000.

(6) Break in series, 2004.

(7) Break in series, 1998.

Source: Eurostat (tsir021), OECD

Research and experimental development (R&D) comprise creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society and the use of this stock of knowledge to devise new applications (Frascati Manual, 2002 edition, § 63). R&D is an activity where there are significant transfers of resources between units, organisations and sectors and it is important to trace the flow of R&D funds.

Chart 17: Business tax in the EU (BMWi, 2008: 29)

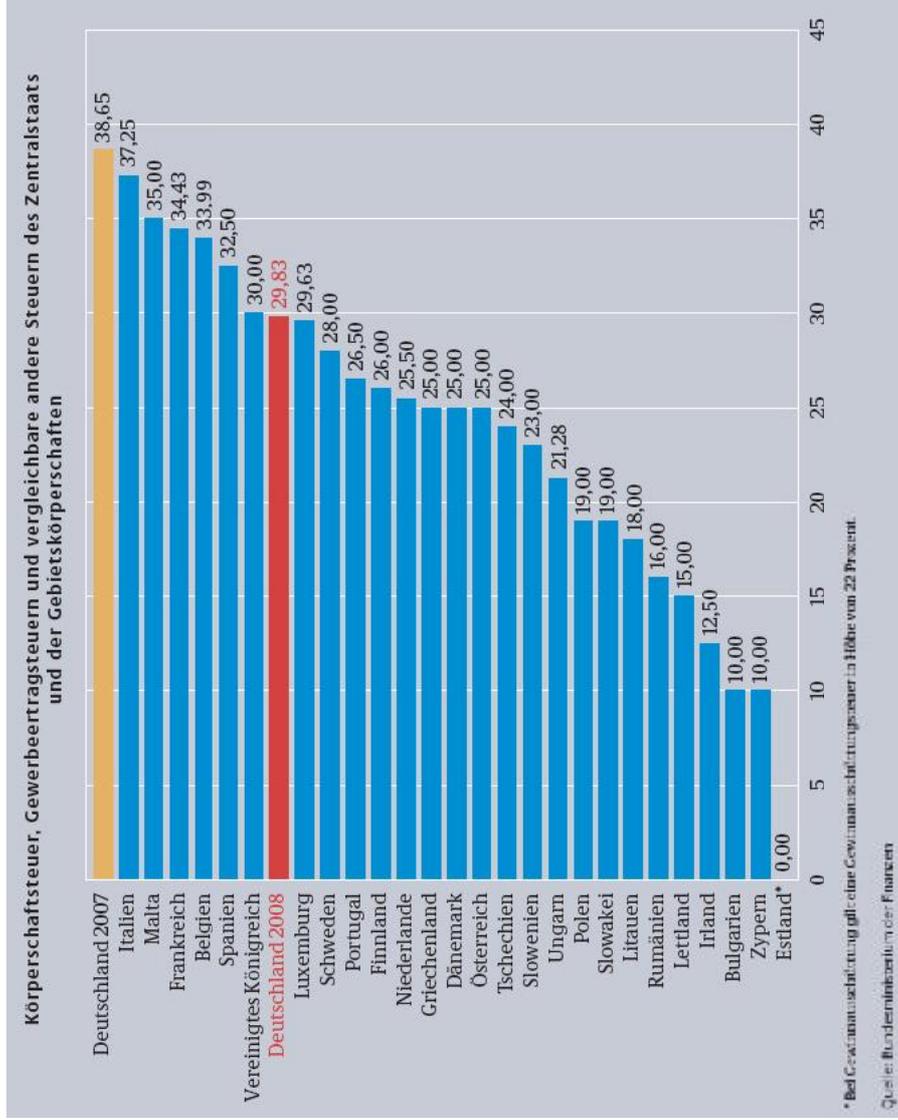


Chart 18: Overview of the labour market in Germany 2008 (BA, 2008a: 43)

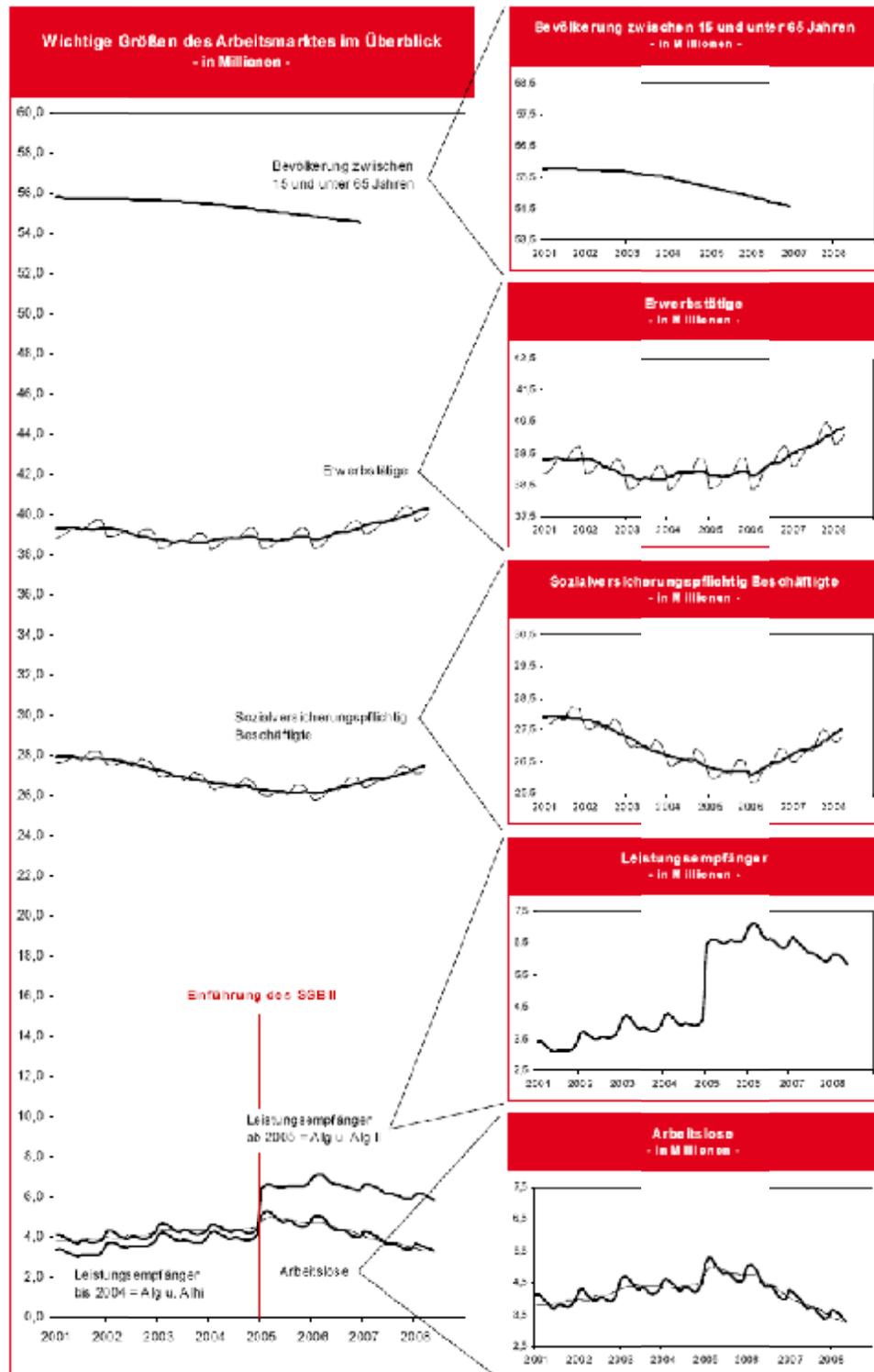
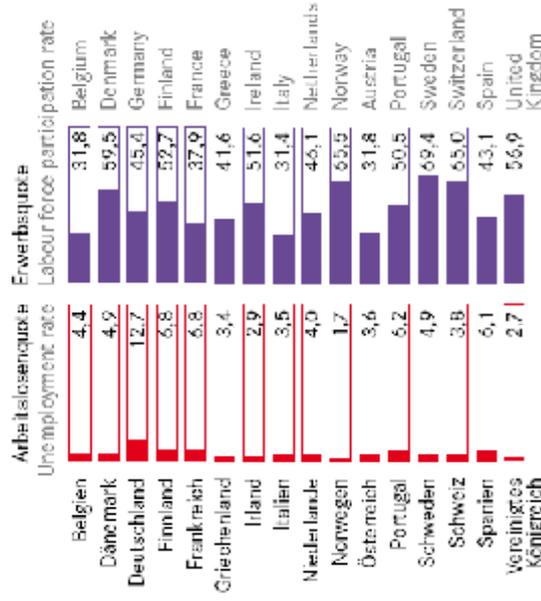


Chart 19: Job participation of women in Germany from 1994 to 2004 (BA, 2006: 5)

Chart 20: Job participation of older workers (55 to 65 year olds) (BA & ZAV, 2007: 5)

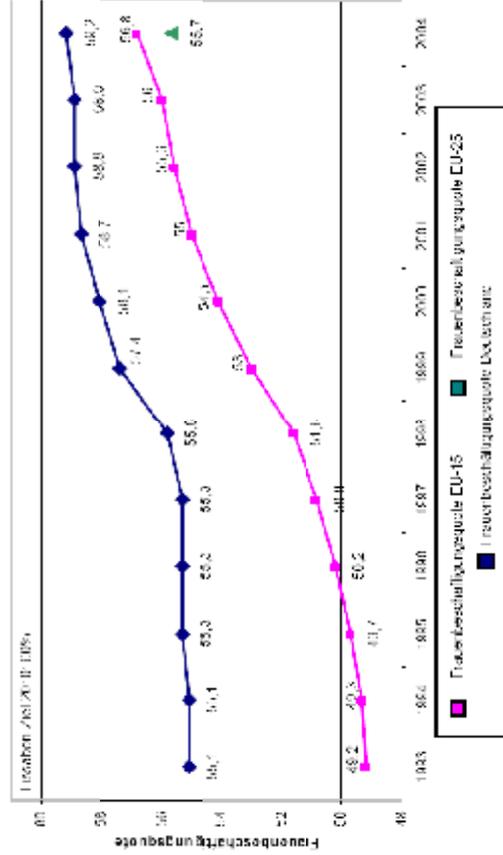
Arbeitslosen- und Erwerbsquoten der 55- bis 64-Jährigen in Prozent
 Unemployment and labour force participation rates among
 55 to 64 year olds in Europe in percent (selection)



Die Erwerbsquote gibt den Anteil der selbständig oder abhängig erwerbstätigen Personen an der arbeitsfähigen Bevölkerung zwischen 15 und 65 Jahren in Prozent an.

The labour participation rate gives the number of employed or self-employed people to the population of employable people aged between 15 and 65 as a percentage.

Quelle: OECD Employment Outlook 2006, Eurostat, EU-AKE



Quelle: European Commission, Employment in Europe 2007 – Report, Table 4.11, Page 14

Chart 21: Unemployment rate in May 2008 (BA, 2008b: 1)

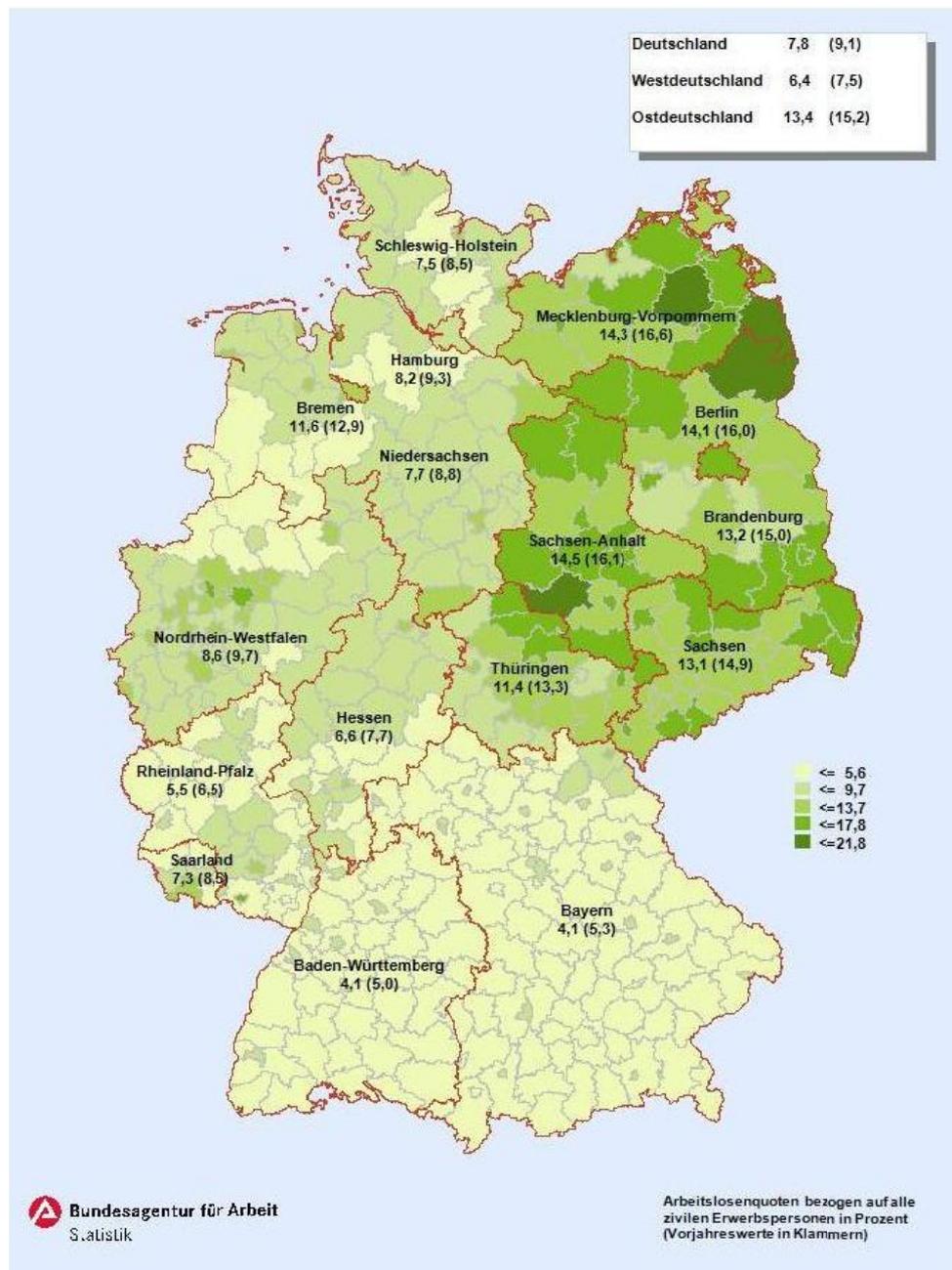


Chart 22: Overview of the unemployment situation in Germany (BBR, 2005: 192)

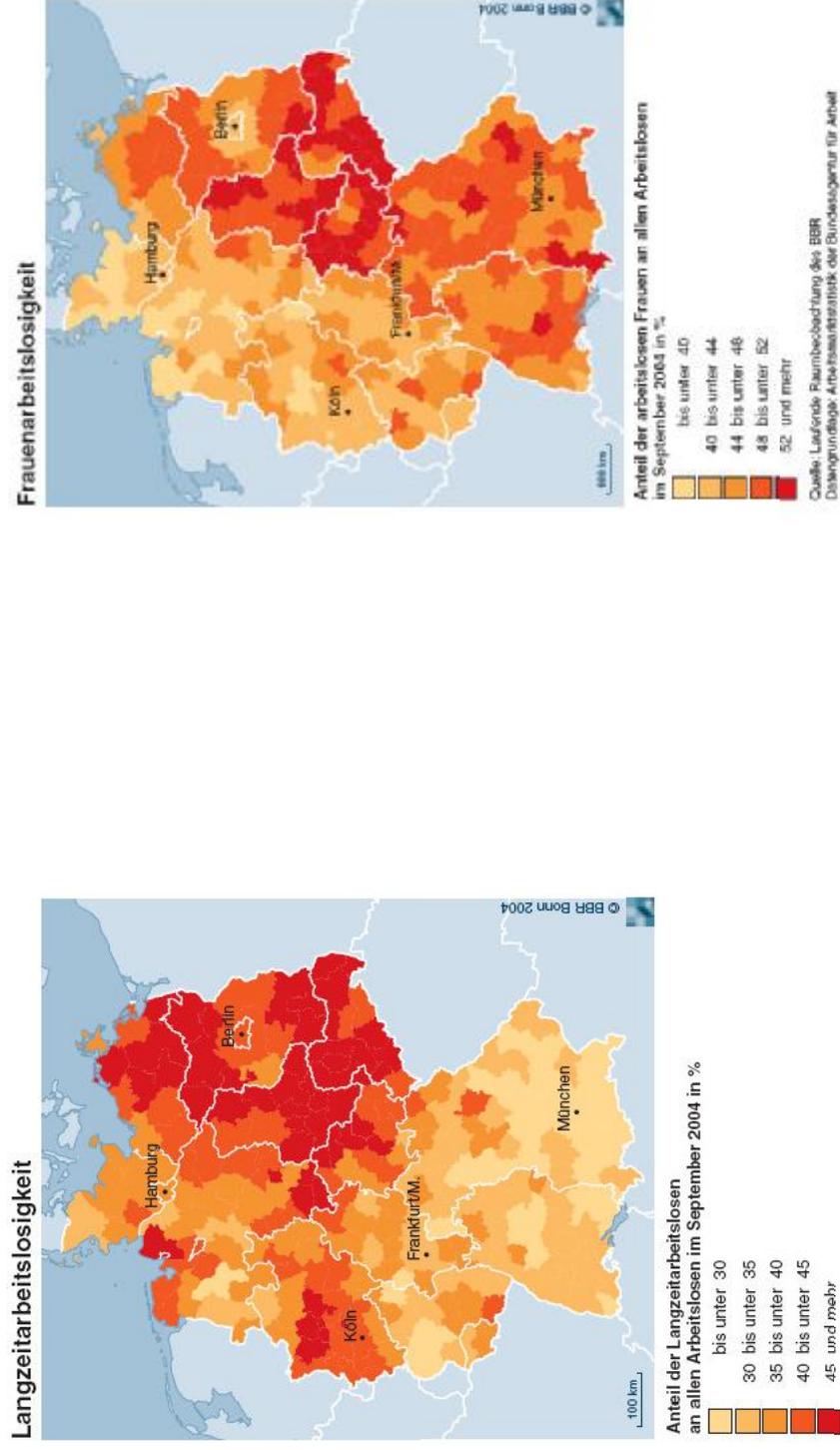


Chart 23: Ratio of the education participation of children below the age of 3 in day care facilities in 2007 (in %) (BMBF, 2008: 52)

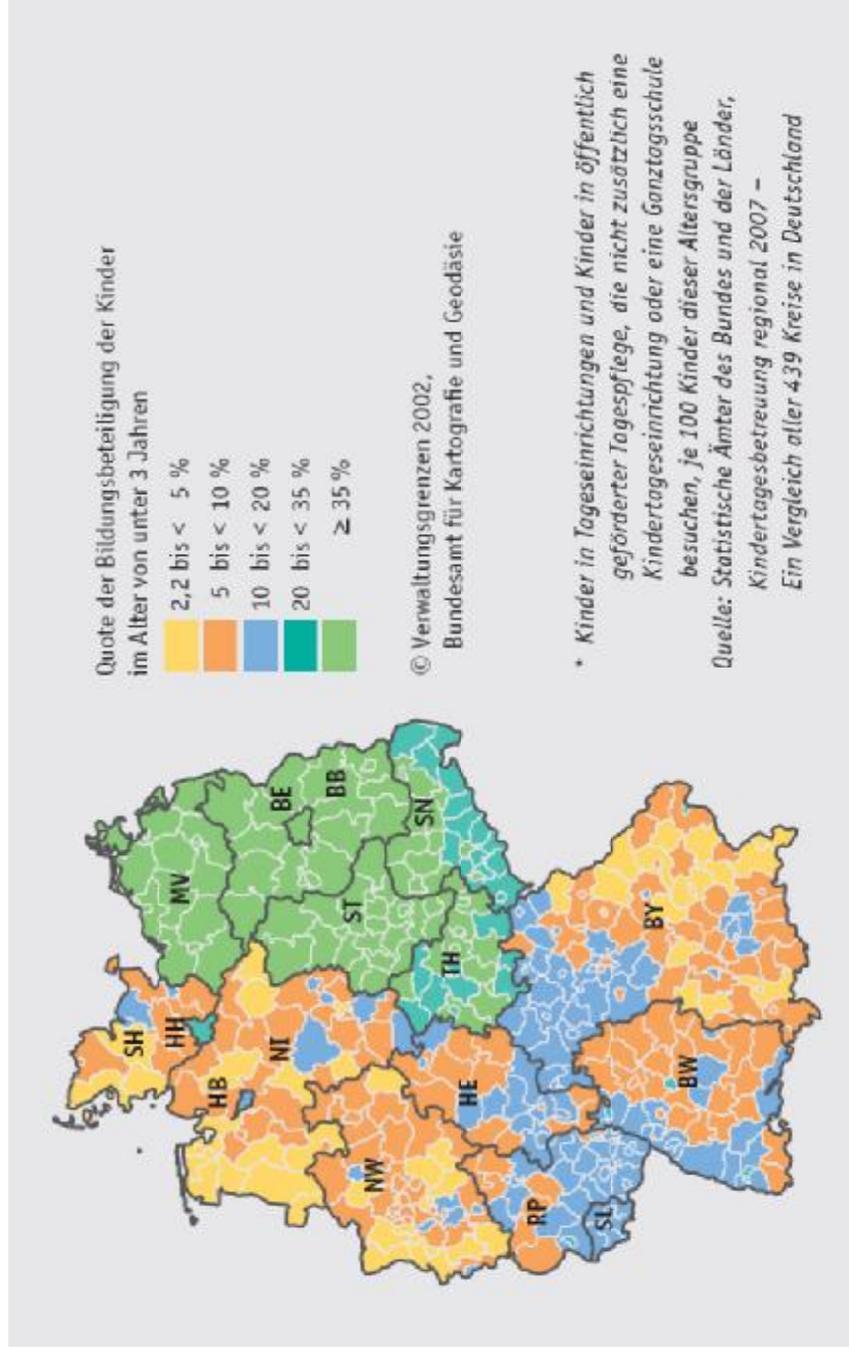


Chart 24: Employment rates for selected population groups (OPOCE, 2008: 253)

(%)

	Male		Female		Older workers	
	2001	2006	2001	2006	2001	2006
EU-27	70.9	71.6	54.3	57.2	37.7	43.5
Euro area	72.0	72.6	52.4	56.7	35.1	41.7
Belgium	68.8	67.9	51.0	54.0	25.1	32.0
Bulgaria	52.7	62.8	46.8	54.6	24.0	39.6
Czech Republic	73.2	73.7	56.9	56.8	37.1	45.2
Denmark	80.2	81.2	72.0	73.4	58.0	60.7
Germany	72.8	72.8	58.7	62.2	37.9	48.4
Estonia	65.0	71.0	57.4	65.3	48.5	58.5
Ireland	76.6	77.7	54.9	59.3	46.8	53.1
Greece	71.4	74.6	41.5	47.4	38.2	42.3
Spain	72.5	76.1	43.1	53.2	39.2	44.1
France	69.7	68.5	56.0	57.7	31.9	37.6
Italy	68.5	70.5	41.1	46.3	28.0	32.5
Cyprus	79.3	79.4	57.2	60.3	49.1	53.6
Latvia	61.9	70.4	55.7	62.4	36.9	53.3
Lithuania	58.9	66.3	56.2	61.0	38.9	49.6
Luxembourg	75.0	72.6	50.9	54.6	25.6	33.2
Hungary	62.9	63.8	49.8	51.1	23.5	33.6
Malta	76.2	74.5	32.1	34.9	29.4	30.0
Netherlands	82.8	80.9	65.2	67.7	39.6	47.7
Austria	76.4	76.9	60.7	63.5	28.9	35.5
Poland	59.2	60.9	47.7	48.2	27.4	28.1
Portugal	77.0	73.9	61.3	62.0	50.2	50.1
Romania	67.8	64.6	57.1	53.0	48.2	41.7
Slovenia	68.6	71.1	58.8	61.8	25.5	32.6
Slovakia	62.0	67.0	51.8	51.9	22.4	33.1
Finland	70.8	71.4	65.4	67.3	45.7	54.5
Sweden	75.7	75.5	72.3	70.7	66.7	69.6
United Kingdom	78.0	77.3	65.0	65.8	52.2	57.4
Croatia	:	62.0	:	49.4	:	34.3
Turkey	69.4	68.1	26.3	23.9	35.8	30.1
Iceland (1)	:	86.9	:	80.5	:	84.3
Norway	80.7	78.4	73.6	72.2	65.9	67.4
Switzerland	87.6	84.7	70.6	71.1	67.1	65.7
Japan	80.5	81.0	57.0	58.8	62.0	64.7
United States	79.4	78.1	67.1	66.1	58.6	61.8

(1) 2005 instead of 2006.

Source: Eurostat (tsien012 and tsien012).

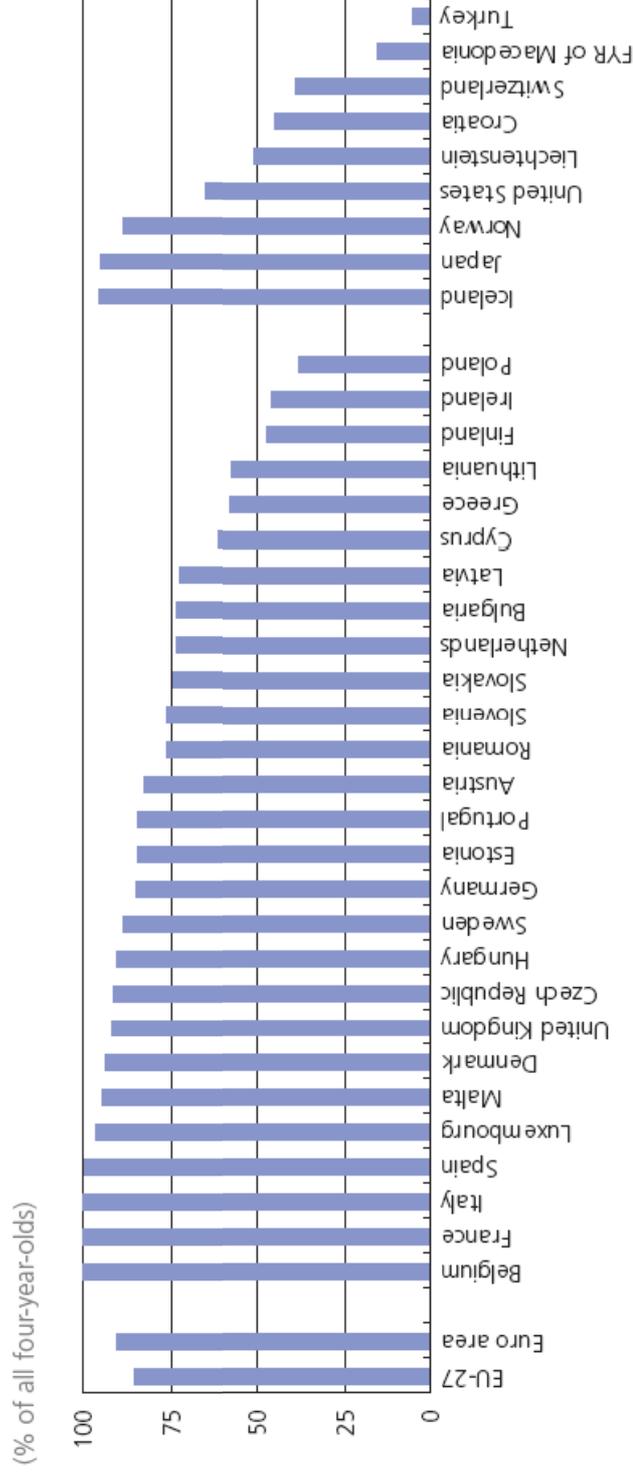
Chart 25: Unemployment rates in 2006 (OPOCE, 2008: 262)

(%)

	Long-term unemployment rate	Unemployment rate			
		Male	Female	< 25 years	> 25 years
EU-27	3.7	7.6	8.9	17.2	7.0
Euro area	3.8	7.5	9.4	16.3	7.3
Belgium	4.2	7.4	9.3	20.5	7.0
Bulgaria	5.0	8.6	9.3	19.5	7.9
Czech Republic	3.9	5.8	8.8	17.5	6.2
Denmark	0.8	3.3	4.5	7.7	3.2
Germany	5.5	10.2	9.4	12.5	9.4
Estonia	2.8	6.2	5.6	12.0	5.2
Ireland	1.4	4.6	4.1	8.6	3.5
Greece	4.8	5.6	13.6	25.2	7.5
Spain	1.8	6.3	11.6	17.9	7.3
France	4.0	8.7	10.4	23.2	7.9
Italy	3.4	5.4	8.8	21.6	5.5
Cyprus	0.9	4.0	5.4	10.4	3.9
Latvia	2.5	7.4	6.2	12.2	6.0
Lithuania	2.5	5.8	5.4	9.8	5.2
Luxembourg	1.4	3.5	6.2	16.2	3.9
Hungary	3.4	7.2	7.8	19.1	6.5
Malta	2.9	6.5	8.9	16.3	5.0
Netherlands	1.7	3.5	4.4	6.6	3.4
Austria	1.3	4.4	5.2	9.1	4.0
Poland	7.8	13.0	14.9	29.8	11.7
Portugal	3.8	6.5	9.0	16.3	6.7
Romania	4.2	8.2	6.1	21.4	5.7
Slovenia	2.9	4.9	7.2	13.9	5.0
Slovakia	10.2	12.3	14.7	26.6	11.7
Finland	1.9	7.4	8.1	18.7	6.2
Sweden	1.1	6.9	7.2	21.3	5.1
United Kingdom	1.2	5.7	4.9	14.1	3.8
Croatia	6.7	9.8	12.7	28.9	9.0
Turkey	2.5	8.4	8.4	16.0	6.7
Norway	0.8	3.6	3.4	8.8	2.7

Source: Eurostat (tsb2061, tslem073, tslem072 and tsdsc460)

Chart 26: Five-year olds in education, 2005 (OPOCE, 2008: 168)



(1) Refer to the Internet metadata file (http://europa.eu.int/estatref/info/sdds/en/educ/educ_base.htm).

Source: Eurostat (tps00053)

This indicator presents the percentage of the 4 year olds who are enrolled in education-oriented pre-primary institutions. These institutions provide education-oriented care for young children. They can either be schools or non-school settings, which generally come under authorities or ministries other than those responsible for education. They must recruit staff with specialised qualifications in education. Day nurseries, playgroups and day care centres, where the staff are not required to hold a qualification in education, are not included.