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More Jobs? A Panel Analysis of the Lisbon Strategy

Sergio Destefanis [*], **Giuseppe Mastromatteo** [**]

Abstract
We assess the impact on employment growth of the Lisbon Strategy, examining long-run trends in total, female and old-age employment rates from 1994 to 2009. We find that the Strategy had some favourable (but weak) impact, especially for old-age workers. However, no improvement ensued from its mid-term reassessment.

JEL Classification: E24, J08, E65.

Keywords: European Employment Strategy, difference-in-difference, employment policies

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1. Introduction

In March 2000, the European Council met in Lisbon with a view to adopt a ten-year programme (the Lisbon Strategy) aimed at revitalising innovation, growth and labour-market performance across the EU. Urging member states to take action along the newly established European Employment Strategy guidelines, the Lisbon Strategy set some specific targets by 2010: a) an overall employment rate of 70%, b) a female employment rate over 60%, c) an employment rate of 50% among older workers (aged 55 to 64), d) an annual growth rate of 3%. Compliance with these targets had to be achieved through peer pressure and the so-called open method of coordination.

In 2005 the European Commission relaunched the Strategy, following a rather unfavourable assessment of its first five years. In order to create more jobs, the open method of coordination was more closely connected with the national action plans of member states. Yet, even prior to the current recession, only the female employment rate was any close to its target. In assessing the Strategy, however, one should not neglect either the decisive enlargement of the EU in the last decade, or the general evolution of economic conditions. In this paper we appraise the impact of the Strategy on labour-market performance (we do *not* deal with output growth). We focus on a subset of countries already belonging to the EU in 2000, contrasting them with a broadly comparable group of OECD countries, and ascertain the relevance of the 2005 reassessment. We model long-run employment trends, leaving the current crisis, which arguably has very little to do with the influence of institutional changes upon labour markets, out of the picture. On the other hand, institutional changes are highly relevant for long-term employment performance, and there are, as yet, remarkably few independent studies about the impact of the Lisbon Strategy on this nexus.

The paper proceeds as follows. We first present short surveys of the literature about labour-market institutions, employment policies and labour-market performance. Then our empirical set-up and results are shown. We spell out the links between OECD and Lisbon Strategy, and provide some novel panel-type evidence for a policy-compliance indicator from the OECD.

2. Employment Policy and Labour-Market Performance

In the 1980s, the labour-market performance of most European countries showed clear signs of worsening vis-à-vis the US. This situation was all the more surprising as it went against the experience of the previous two decades, when the US unemployment rate was consistently higher than that of most European countries. These trends captured the attention of citizens and policy-makers in several European countries. By and large, the rise in unemployment appeared to be related to long-run, structural factors rather than being the outcome of purely cyclical forces. In 1994 the OECD published its very influential Jobs Study. The main thesis of the Jobs Study was that high unemployment in Europe originated from the existence of rigidities in the labour market. Unreasonably stringent social norms and policy regulations were believed to hamper the efficient matching of labour supply and demand, implying that the countries most affected should implement institutional reforms fostering greater competition in the labour market.

The Jobs Study gave some explicit guidelines for institutional reform that were basically upheld in subsequent studies (see, for instance, OECD, 1999; OECD, 2006). Five guidelines were related to factors not strictly within the province of the labour market: enacting growth-oriented, non-inflationary, *macroeconomic policies*; enhancing the creation and diffusion of *technological know-how*; eliminating impediments to the *creation of enterprises*; promoting *product market competition*; and improving *education and training systems*. There was also a guideline endorsing *active labour market policies*, and four guidelines calling for labour-market deregulation: increasing *flexibility of working time* (both short-term and lifetime); removing *restrictions that prevent wages from reflecting local and individual productivity*; reforming *employment security provisions* that inhibit the expansion of employment; and reforming *unemployment and related benefit systems* -

and their interactions with *the tax system* – in order to improve labour-market efficiency.

In fact, the Jobs Study carefully singled out for modification the institutions, regulations and policies that were thought to be most responsible for the slow adjustment of wages and employment to external shocks. Macroeconomic and structural policies fostering innovation and firm creation played a secondary role. The US economy, deemed as having implemented the most effective institutional reforms and having obtained the best performance in terms of growth and employment, was explicitly taken as a benchmark. This is interesting, since no labour-market policy document with the scope and clarity of the Jobs Study (or, for that matter, of the European Union's (EU) White Papers and Reports) was ever published by a US administration prior to or during the period of US resurgence.

The OECD jobs strategy has been very influential and its basic tenets have been echoed by some important international organisations. Simultaneously with the publication of the OECD Jobs Study, the EU produced a similar document, the White Paper, under the influence of the President of the European Commission, Jacques Delors. In that document, the unsatisfactory performance of European labour markets was linked to a set of structural factors not wholly congruent with those singled out in the OECD Jobs Study. The White Paper laid more emphasis on the need to change an industrial structure that is biased in favour of declining sectors and to sustain job creation through appropriate industrial and growth-oriented, macroeconomic policies.

In subsequent years, the process of creating a single currency centred around the implementation of the so-called Stability and Growth Pact (adopted at the EU Amsterdam Summit in June 1997) that drastically reduced the autonomy of member countries in the field of fiscal policy. Moreover, a single currency prevents the use of purely national monetary policies. Finally, the paramount aim of the European Central Bank is to maintain a low and stable rate of inflation. All of this created an environment where idiosyncratic, adverse shocks could not be countered by domestic demand-management policies. Instead, only by enhancing labour-market flexibility could one hope to offset the impact of such shocks on employment (Allsopp and Vines, 1998; Artis, 1998).

Macroeconomic considerations were not mentioned in the European Employment Strategy (EES), which was launched by the Luxembourg Jobs Summit in November 1997. Macroeconomic policy became the object of the Broad Economic Policy Guidelines set by the European Commission, and was geared toward low inflation and sound fiscal policy rather than to the support of public and private investment. It is also worth noting that the emphasis on the labor market percolated to these Guidelines as well, since they repeatedly stressed the requirement for wage growth to be aligned with the growth in productivity.

The four pillars of the EES were:

(i) employability: in particular, long-term unemployment was to be prevented, the school-to-work transition facilitated, and active labor market policies preferred to passive policies;

(ii) entrepreneurship: administrative obstacles to the setting up and management of businesses and taxes (including social security contributions) were to be reduced;

(iii) adaptability of firms and workers: obstacles to temporary work agencies, part-time work and other forms of flexible work organization were to be removed and investment in physical and human capital were to be promoted;

(iv) equal opportunities: equal access to jobs for women and men and equal treatment at work were to be ensured.

The Lisbon European Council (March 2000) signalled a new strategic goal for the EU for the next decade: *to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.* The Council also stipulated that the overall aim of this strategy is to raise the EU employment rate to 70% and to increase the proportion of women in employment to more than 60% by 2010. The Stockholm European Council (March 2001) added two intermediate goals and one additional target: the overall employment rate should be raised to 67% by 2005, to 57% for women by 2005, and to 50% for older workers by 2010.

At the Brussels European Council in March 2003, the member states established an Employment

Taskforce, chaired by the Netherlands' former prime minister, Wim Kok, in response to concerns that the EES was failing to tackle effectively Europe's labour-market problems. The Taskforce set out four key requirements for the improvement of labour-market performance:
(i) Increasing adaptability of workers and enterprises: this merges the former *entrepreneurship* and *adaptability* pillars. More flexible wage-setting is required and no unemployment and inactivity traps must persist.
(ii) Attracting more women and older workers to the labour market by providing the appropriate legal and financial incentives and by improving childcare and eldercare.
(iii) Investing more, and more effectively, in human capital: vicious circles of low investment by businesses and workers in training must be broken through cost-sharing schemes.
(iv) Ensuring effective implementation of reforms through better governance: European targets must be translated into national policies, using strategically the National Action Plans for Employment and the EU budget.
In early 2005 the European Commission proceeded to assess the first five years of the Lisbon Strategy, finding a rather bleak picture. The Commission responded by relaunching a streamlined Strategy, under the label of "more and better jobs", through stronger involvement of stakeholders and more rigorous focus on labour-market performance, As of 2008, however, only female employment rate was any close to the Lisbon target.
Around 2006, the OECD jobs strategy underwent a process of reassessment in 2006 (OECD, 2006), giving more emphasis to non free-market options such as wage bargaining coordination and active labor-market policies. At much the same time, the notion of of flexicurity began to pervade the EU discourse on the labor markets (European Commission, 2007). Arguably, however, the main gist of both strategies was still that many European institutions impaired labor-market performance).
The attempt to assess the policy impact of the OECD 1994 Jobs Study and of the EES guidelines has prompted several studies, some of which (Elmeskov et al., 1998; Nickell, 2003; Saint-Paul, 2004; Belot and Van Ours, 2004) suggest that the OECD Jobs Strategy is fundamentally sound and that countries which have made the most progress in labour-market performance are those that complied with its recommendations most comprehensively. This point of view has come under strong criticism, however. For instance, Baker et al. (2004), Freeman (2005) and Howell et al. (2007) argue that the aggregate empirical results supporting the OECD strategy are not very robust to small changes in the models or data used (variables, countries, time-periods). In the following section we provide a short survey of the influence of institutions and policies on labour-market performance.

3. Labour-market Institutions and Outcomes. A Short Survey

The institutions most often mentioned in the literature as contributing to poor labour-market performance in Europe are: generous social-safety nets, restrictive employment legislation, high taxes and strong unions. Empirical evidence on the labour-market rigidity view mostly comes from multivariate analyses that have become increasingly complex since the pioneering work of Layard et al. (1991).1 While these studies tend to conclude that institutions are a key part of the story, their results are less robust and uniform than is commonly believed. According to Baker et al. (2004), the literature turns up little evidence for performance-worsening effects of union density and mixed evidence for unemployment insurance and employment protection legislation. At the same time, performance-enhancing effects of collective-bargaining coordination and (to a smaller extent) active-labour-market policies tend to emerge. An important part of the explanatory power of labour-

1 See for instance the accounts in Layard et al. (1991), Nickell (2003), Saint-Paul (2004), Freeman (2005). An important critical contribution was provided by Baker et al. (2004), and a recent and very thorough empirical analysis can be found in Bassanini and Duval (2006).

market institutions derives in fact from these two institutions' ability to enhance performance. After a very thorough analysis, Bassanini and Duval (2006) end up with not-too-dissimilar conclusions, even if they are at pains to emphasise the performance-enhancing role of well designed unemployment-benefit reforms.

On the whole, there is pretty convincing empirical evidence to the effect that there are strong interactions between labour-market performance and welfare reforms. Properly designed welfare-to-work policies have been able to deliver more jobs without large wage penalties, both in Nordic countries and in the US (de Koning et al., 2004; Fischer and Matthiessen, 2005). Furthermore, Kluve and Schmidt (2002) report that in Europe training and job-search policies are on average effective (significantly more than employment subsidies) in improving the job prospects of the unemployed. On the other hand, empirical support for the influence of strict labour-market regulations on unemployment appears to be weak. The existing evidence (OECD 2004) suggests that stricter employment protection does not raise aggregate unemployment, while increasing the duration of unemployment and reducing worker turnover. Autor et al. (2006), after a careful consideration of cross-state evidence in the USA, conclude that only one of the common-law exceptions to employment at will, the implied-contract doctrine of not terminating a contract without good cause, has a negative (albeit modest) impact on employment rates. Similar results are found for temporary jobs, whose development equally favours both job creation and job destruction (Cahuc and Postel-Vinay, 2002). There is no consistent evidence either of an association between aggregate employment rates and the incidence of part-time work (Garibaldi and Mauro, 2002).

Higher European income and payroll tax rates have often been evoked as a key determinant of poorer labour-market performance in Europe. However, according to Layard and Nickell (1999), a reasonable estimate would imply that a 5% reduction in the tax wedge (including income, consumption and payroll taxes) lowers the unemployment rate from 8% to 7%. These conclusions are often believed to depend crucially on the values assumed to hold for the elasticity of labour supply (Prescott, 2004; Alesina et al., 2005). Yet there seems to exist at least another key factor. Taxes on labour seem to matter less in countries where bargaining is either highly decentralised (as in the US and the UK) or highly centralised and coordinated (as in the Scandinavian countries and Austria). In the latter higher taxes are (partially) absorbed by a decline in gross wages. In continental European countries, however, where bargaining is carried out at the industry level, the tax wedge is likely to have a larger influence on labour costs and employment. More generally, strong unions need not impair labour-market performance, if unions and firms can coordinate centrally over wage bargaining (Aidt and Tzannatos, 2003; Belot and Van Ours, 2004).

The pre-eminence of recommendations related to labour-market institutions that has characterised the OECD employment strategy has drawn much of the analytical attention on the evolution of labour-market performance on changes in labour-market policies. On the other hand, it is clear that European labour-market performance has been hampered by generally sluggish output growth in recent years. The surge in growth that was expected to show up after the inception of the Single European Market has not materialized. More broadly, the evaluation of structural changes in the US and European labour markets is not wholly accurate, in our opinion, without examining the role of other factors, such as industrial structure, financial markets, and the housing sector. Industrial composition matters for labour-market performance (Vivarelli and Pianta, 1998), and is likely to respond favourably to reduced product-market regulation (Freeman and Schettkat, 2001a, 2001b; Messina, 2005a, 2005b). An independent impact of financial structure on labour-market performance has not yet been convincingly demonstrated, but there seem to exist interactions between financial-market and labour-market imperfections (Rajan and Zingales, 1998; Acemoglu, 2001; Wasmer and Weil, 2004). Finally, the structure of the housing market appears to impact strongly upon the geographical mobility of labour. Barriers to geographical mobility are clearly an obstacle to the efficient functioning of the labour market, and homeowners are relatively immobile, presumably because they find it much more costly than private renters to move in search of new jobs. Hence a higher homeownership rate can be expected to be associated with a higher aggregate unemployment rate (Oswald, 1997; Belot and van Ours, 2004).

On the whole, there seems to be ample room for new evidence about the relationships between institutional set-up and labour-market performance. In this paper, we endeavour to do this within a simple panel set-up, developing upon the research strategy adopted in a follow-up study from the OECD (Brandt et al., 2005). Furthermore we will assess whether the Lisbon Strategy has had any additional impact for EU countries.

4. The Empirical Set-Up

As the Lisbon Strategy urged action along the EES guidelines, a basic problem for policy evaluation is that EU institutions do not provide indicators of compliance with their own recommendations. There is however a fairly widespread consensus that the EES has taken its cue from the OECD Jobs Study.[2] Our key question then becomes whether the Lisbon Strategy implied higher employment growth than could be expected from implementation of OECD labour-market related recommendations. To measure compliance with those, we chiefly rely upon the follow-through indexes computed by Brandt et al. (2005) for the 1994-1999 and the 1999-2004 periods. These indexes are supposed to affect employment performance with a 4-5 year lag. Hence, in order to assess employment growth before and after Lisbon, we must find a comparable policy index for the pre-1994 period. To this purpose, we resort to the measure of compliance with OECD labour-market recommendations calculated in OECD (1998) and normalise both this and the Brandt et al. index through their respective standard errors.

To the best of our knowledge, no panel data tests have been carried out so far upon OECD follow-through indexes. Yet, adopting a single comprehensive measure of this kind has some advantages over more traditional policy indicators. Measurement methods for the latter have considerably changed over time (Howell et al., 2007). Furthermore, the follow-through index is built to work with a 4-5 year lag, which in a panel data set-up greatly attenuates the well-known endogeneity problems of policy indicators (results from Wooldridge's strict exogeneity test, available on request, validate this point).

We use 1994-2009 data for 24 OECD countries (EU: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, UK; non-EU: Australia, Canada, Iceland, Japan, Korea, Norway, New Zealand, Switzerland, USA). As the follow-through index is only available at 5-year intervals, we take, as time units, the 1994-1999, 1999-2004 and 2004-2009 periods. This straightforwardly allows, at the price of a small approximation, to deal with the possible existence of a break in the Strategy around 2005 (which almost perfectly intervenes between our second and third periods)

Due to our focus on long-term employment performance, our outcome variables are changes in trend employment rates. We take the OECD employment rate (potential employment of the total economy) and compute trend employment rates for female and old-age workers through the Extended Exponential Smoothing technique suggested in Mohr (2005).[3] Abstracting from cyclical fluctuations should also make our equations less affected by unobserved heterogeneity (see Bassanini and Duval, 2006, pp. 120-121). All data come from the OECD Statistics Portal.

2 See Dostal (2004). Inklaar and Timmer (2006) make a similar assumption when examining labour market deregulation in Europe. Casey (2004) provides a very articulated analysis, coming much to the same conclusions.

3 This smoothing technique has better end-of-sample properties than the Hodrick-Prescott filter.

5. The Estimates

The estimates are reported in Table 1:[4] Δr_{it} is the change of employment rate of country i in period t; Follow-through$_{it}$ is the OECD follow-through index. All equations have been estimated through first-differencing, which performed much better than alternative methods serial correlation-wise (Wooldridge, 2002, pp. 282-285), and include time-unit dummies.

From column (1) we see that the follow-through index significantly affects employment growth. In column (2) we compare EU with non-EU countries through a difference-in-difference set-up. We distinguish two policy-on periods (*I*, 2000-2004, and *II*, 2005-2009, before and after the Strategy reassessment). The effectiveness of the Strategy is assessed through the significance of the terms interacting LISBON, a binary variable equal to one for EU countries, with PON_I and PON_{II}, binary variables for the two policy-on periods.

In column (2) very little value emerges from the Strategy for employment growth, but for old-age workers. However, only governments far off from the Lisbon targets are likely to have invested resources and political consensus in striving for these targets; countries already above them probably exerted themselves much less. To model this asymmetric behaviour, we multiply in each period the policy terms by the gap between the target and initial-year employment rates, obtaining $(r_{target} - r_{i1999})$*LISBON*PON_I and $(r_{target} - r_{i2004})$*LISBON*PON_{II}, conditionally on the gap being positive (negative gaps are put equal to zero).[5] From this specification - see column (3) - significant, albeit not large, extra employment growth emerges for the Lisbon countries. The Strategy seems however to *loose* strength after the 2005 reassessment, particularly for female employment.

In columns (4a) and (4b) we ascertain whether this extra growth stems from higher values of the follow-through index in the Lisbon countries. There is no support for this hypothesis. Equally, the hypothesis of a time- and country-varying impact for this index receives very little support from the estimates in columns (5) and (6).[6] Hence the additional employment growth in the Lisbon countries cannot come from more numerous or effective OECD-recommended policies.

In columns (7) and (8) we take a different tack, considering the difference-in-difference terms along with the follow-though index. The latter remains significant. Also consistently with previous evidence, the Strategy elicits extra employment growth, especially for old-age workers and for countries initially below target. Yet again, no strengthening of this effect shows up after the 2005 reassessment. If anything, the contrary holds true. At a time when decisive action is needed in the European labour markets, this evidence clearly indicates that the Strategy's review process needs a deeper reappraisal than done so far. Further research is also needed about the channels through which the Strategy initially delivered its extra kick to employment growth (OECD indicators of product market deregulation have been tried without success).

In any case, the Strategy has had some economic significance. When we calculated the partial R^2's for the specifications of columns (7) and (8) they ranged from 4% (total rate equation) to 11% (old-age rate equation) for the follow-through indicator. They are consistently higher for the Lisbon terms: 11 to 35%.

A final remark about robustness. Problems of data availability do not allow inclusion of a wide array of control variables in our estimates. However, from the favourable RESET tests it appears unlikely that variable omission should decisively drive our results.[7]

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4 The sample includes 24 countries for 3 time periods (data for the total rate are however missing for Korea). Significance levels of reported coefficients are based on robust standard errors: *, **, *** denote respectively significance at 10, 5, 1%. *Adj. R^2* is the coefficient of determination adjusted for degrees of freedom, *Reset* is the p-value from Ramsey's RESET test.

5 A related way to model this mechanism, yielding much the same results, is to multiply the interactive terms by a dummy equal to one when the gap between the target and actual rates is positive.

6 Stability of the follow-through coefficients over time also vouches for the appropriateness of merging the indicators from Brandt et al. (2005) and OECD (1998).

7 We also adopted the procedure recently suggested in Verardi and Croux (2009) to look for influential outliers. None was found.

6. Concluding Remarks

The labour-market outcomes of the Lisbon Strategy were assessed over a sample of 24 OECD countries from 1994 to 2009. Complying with OECD policy recommendations had a favourable and stable effect, and the Strategy yielded additional employment growth, especially for old-age workers. However, this extra impact mostly faded out after the 2005 mid-term reassessment, calling for further research on the Strategy's modus operandi. In future work, we want to carry out further research on these points. At a time when strong action is needed in the European labour markets, this evidence decisively indicates that the EU's policy reassessment procedures need a profound rethinking.

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Table 1a – r = *Total Employment Rate*

	"1"	"2"	"3"	"4a"	"4b"	"5"	"6"	"7"	"8"
DEP. VARIABLE	Δr_{it}	Δr_{it}	Δr_{it}	*Follow-through*$_{it}$	*Follow-through*$_{it}$	Δr_{it}	Δr_{it}	Δr_{it}	Δr_{it}
REGRESSORS									
Follow-through$_{i}$it-1	0.23*					-0.13	0.24	0.23*	0.17*
LISBON*PON$_{I}$		0.52		0.21				0.41	
LISBON*PON$_{II}$		0.03						-0.12	
LISBON* ($r_{target} - r_{i1999}$)* PON$_{I}$			0.12**		-0.05				0.12*
LISBON* ($r_{target} - r_{i2004}$)* PON$_{II}$			0.07						0.07
Follow-through$_{i}$it-1* LISBON						0.94*			
Follow-through$_{i}$it-1* LISBON* ($r_{target} - r_{i1999}$)							-0.03		
Follow-* PON$_{I}$						0.11	-0.34		
Follow-through$_{i}$it-1* PON$_{II}$						0.51	-0.04		
Follow-through$_{i}$it-1* LISBON*PON$_{I}$						-0.75			
Follow-through$_{i}$it-1* LISBON*PON$_{II}$						-1.12			
Follow-through$_{i}$it-1* LISBON* ($r_{target} - r_{i1999}$)* *PON$_{I}$*							0.12		
Follow-through$_{i}$it-1* LISBON* ($r_{target} - r_{i2004}$)* PON$_{II}$							0.08		
Adj. R^2	*0.19*	*0.17*	*0.24*	*-0.04*	*-0.01*	*0.15*	*0.16*	*0.18*	*0.24*
Reset	*0.91*	*0.57*	*0.94*	*0.41*	*0.54*	*0.19*	*0.37*	*0.75*	*0.75*

Table 1b – r = *Female Employment Rate*

	"1"	"2"	"3"	"4a"	"4b"	"5"	"6"	"7"	"8"
DEP. VARIABLE	Δr_{it}	Δr_{it}	Δr_{it}	*Follow-through*$_{it}$	*Follow-through*$_{it}$	Δr_{it}	Δr_{it}	Δr_{it}	Δr_{it}
REGRESSORS									
Follow-through$_{i}$it-1	0.37**					-0.18	0.03	0.37**	0.30*
LISBON*PON$_{I}$		0.81						0.62	
LISBON*PON$_{II}$		-0.26						-0.52	
LISBON* ($r_{target} - r_{i1999}$)* PON$_{I}$			0.09**		-0.02				0.09**
LISBON* ($r_{target} - r_{i2004}$)* PON$_{II}$			-0.04						-0.04
Follow-through$_{i}$it-1* LISBON						0.89			
Follow-through$_{i}$it-1* LISBON* ($r_{target} - r_{i1999}$)							0.06		
Follow-* PON$_{I}$						0.70	0.25		
Follow-through$_{i}$it-1* PON$_{II}$						-0.02	0.16		
Follow-through$_{i}$it-1* LISBON*PON$_{I}$						-0.99			
Follow-through$_{i}$it-1* LISBON*PON$_{II}$						0.49			
Follow-through$_{i}$it-1* LISBON* ($r_{target} - r_{i1999}$)* *PON$_{I}$*							-0.01		
Follow-through$_{i}$it-1* LISBON* ($r_{target} - r_{i2004}$)* PON$_{II}$							0.12		
Adj. R^2	*0.09*	*0.09*	*0.25*		*-0.03*	*0.12*	*0.16*	*0.13*	*0.28*
Reset	*0.91*	*0.02*	*0.37*		*0.40*	*0.75*	*0.16*	*0.30*	*0.69*

Table 1c – r = *Old-age Employment Rate*

	"1"	"2"	"3"	"4a"	"4b"	"5"	"6"	"7"	"8"
DEP. VARIABLE	Δr_{it}	Δr_{it}	Δr_{it}	*Follow-through*$_{it}$	*Follow-through*$_{it}$	Δr_{it}	Δr_{it}	Δr_{it}	Δr_{it}
REGRESSORS									
Follow-through$_{i}$it-1	0.85**					0.10	-0.11	0.75**	0.72**
LISBON*PON$_{I}$		2.89**						2.51**	
LISBON*PON$_{II}$		1.90						1.56	
LISBON* ($r_{target} - r_{i1999}$)* PON$_{I}$			0.17**		0.01				0.15**
LISBON* ($r_{target} - r_{i2004}$)* PON$_{II}$			0.17**						0.15*
Follow-through$_{i}$it-1* LISBON						0.17			
Follow-through$_{i}$it-1* LISBON* ($r_{target} - r_{i1999}$)							0.06		
Follow-* PON$_{I}$						1.74	1.29*		
Follow-through$_{i}$it-1* PON$_{II}$						-0.12	0.41		
Follow-through$_{i}$it-1* LISBON*PON$_{I}$						-0.73			
Follow-through$_{i}$it-1* LISBON*PON$_{II}$						1.56			
Follow-through$_{i}$it-1* LISBON* ($r_{target} - r_{i1999}$)* *PON$_{I}$*							-0.02		
Follow-through$_{i}$it-1* LISBON* ($r_{target} - r_{i2004}$)* PON$_{II}$							0.08		
Adj. R^2	*0.09*	*0.11*	*0.10*		*-0.04*	*0.14*	*0.15*	*0.19*	*0.17*
Reset	*0.92*	*0.03*	*0.86*		*0.54*	*0.31*	*0.35*	*0.48*	*0.32*