

## RECENT AND FUTURE DEVELOPMENTS RELATED TO “GDP AND BEYOND”

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Progress of societies? Well-being of citizens? Trans-generational impact of policies? To answer such fundamental questions and much more, the European Commission published, in August 2009, its Communication on “GDP and Beyond: Measuring Progress in a Changing World.” Through a co-operative project, co-chaired by Eurostat and INSEE (France), the ESS acted decisively and established an action plan to be carried out by 2020 in the context of the European Statistical Programme. This plan which also builds on Eurostat’s work on Sustainable Development Indicators. For most of these actions, work has either been accomplished or is in good progress. Further challenges lie ahead, including reconciling macro- and micro-data sources on household economic resources and completing the indicators set on Quality-of-Life. The work will also contribute to the global efforts on the Sustainable Development Goals/post-2015 development agenda.

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### A COMPREHENSIVE APPROACH TO MEASURING PROGRESS WITHIN THE EU

What makes some societies more successful than others? How do we measure progress of societies? What should be monitored—in addition to GDP—to steer their policies? What is important for ensuring the well-being of its citizens? How to measure the impact for future generations and other societies? During the last two decades these questions have received increasing attention in the European Union (EU), and this is well within the context of the emerging interest for sustainable development as in the context of the debate around the Stiglitz–Sen–Fitoussi (SSF) report (Stiglitz *et al.*, 2009).

The discussion on how to measure the well-being of individuals and societies has also been of primary interest to global public opinion. In addition the global crises of the last few years (food, energy and environmental, financial, economic and social) have made clear the urgent need to develop new statistical measures capable of guiding decision-makers in policy making, both at national level and in the search for globalized programs.

While gross domestic product (GDP) remains undeniably important as a way to measure national economic results, it is essential to complement it with economic, environmental, and social indicators able to provide a comprehensive assessment of the conditions and progress.

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*Measuring Progress According to the Main EU's Policy Strategies . . .*

In the aftermath of the first Earth Summit in Rio de Janeiro, the European Council adopted in 2001 the first EU-wide sustainable development strategy (SDS), with a renewed strategy adopted in 2006. As such the Council launched a vision of progress that linked economic development, protection of the environment, and social justice under long-term perspective and a global scale.

As a concrete outcome of the SDS, the European Commission services led by Eurostat, established a comprehensive set of EU Sustainable Development Indicators (SDIs), covering a wide range of domains going from climate change and energy, to social inclusion and global partnership.

In 2010, the European Council adopted the Europe 2020 strategy as the EU's common agenda for the current decade. It puts the emphasis on smart, sustainable, and inclusive growth as a way to overcome the structural weaknesses in Europe's economy, to improve its competitiveness and productivity, and to underpin a sustainable social market economy. The new element here is that this strategy clearly mentions EU targets to be achieved by 2020.

Eurostat produces and disseminates sets of indicators to support both strategies. This involves close co-operation between statisticians and policy makers while respecting the principles of the European Statistics Code of Practice. Progress toward the Europe 2020 strategy targets is monitored by means of eight headline indicators and three sub-indicators. All Member States have committed to achieving the Europe 2020 targets and have translated them into national targets and growth-enhancing policies (Eurostat, 2013b).

In the EU policy context there is a synergy between the Europe 2020 strategy and the EU's long-term strategy on SDS. Europe 2020 headline indicators are a core part of the indicators monitored by Eurostat in its bi-annual Sustainable Development monitoring report,<sup>1</sup> which provides an objective, statistical picture of progress, based on the EU SDIs. Quantitative rules applied consistently across indicators, and visualized through weather symbols, provide a relative assessment of whether Europe is moving in the right direction (Eurostat, 2013c).

With regard to the economic policy coordination, the Commission has set up a yearly cycle, the so-called European Semester,<sup>2</sup> with the objective for the Member States to better align the goals of national budgetary, growth, and employment policies, while taking into account the objectives they have set for themselves as the Union. So each year the European Commission undertakes a detailed analysis of EU Member States' programs of economic and structural reforms and provides them with recommendations for the next 12–18 months.

For the follow-up of the European Semester, Member States have agreed on common economic and financial indicators used in a surveillance mechanism which includes policy reaction (Excessive Deficit Procedure (EDP), Macroeconomic Imbalances Procedure (MIP)). Together with the Europe 2020 headline indicators, these indicators give a broad overview of the EU's economic and financial situation and on progress toward the main elements of smart, inclusive,

<sup>1</sup>Published since 2005.

<sup>2</sup>[http://ec.europa.eu/europe2020/making-it-happen/index\\_en.htm](http://ec.europa.eu/europe2020/making-it-happen/index_en.htm)

and sustainable growth. Eurostat ensures the quality of these indicators, for some of which it has even audit-like powers.

*... and Completing the Picture: GDP and Beyond*

Even with all the existing datasets in the economic, social, and environmental domain, it became clear that some basic information was still lacking on the real progress of our societies in all its aspects, on how the existing capital—natural, economic, human and social resources—is evolving over time.

So the Commission launched, in August 2009, its Communication on GDP and beyond: measuring progress in a changing world (European Commission, 2009). By presenting this road map, the Commission decided to complement GDP with additional indicators, such as indicators on quality of life, well-being, and environmental sustainability. The road map also included actions to a more accurate reporting on distribution and inequalities and on extending National Accounts to environmental and social issues.

The publication—one month later (September 2009)—of the SSF report has also responded to this growing need for a new benchmark that looks at development beyond pure economic progress. The European Statistical System (ESS)<sup>3</sup> recognized that new initiatives and also new European statistics would be needed for measuring progress in the GDP and beyond context. It therefore established in 2010 a co-operative project, the so-called Sponsorship Group<sup>4</sup> on Measuring Progress, Well-Being, and Sustainable Development (Eurostat, 2013d).

#### FROM RECOMMENDATIONS TO WORK ACCOMPLISHED

At the end of 2011, the European Statistical System Committee (ESSC)<sup>5</sup> adopted the final report of this Sponsorship Group, which sets out about 50 concrete actions and development work to be carried out by 2020. For most of these actions work has now either been accomplished or is making good progress. The resulting indicators and ongoing work can be allocated to three main domains: quality of life; environmental sustainability; and household income, consumption, and wealth.

<sup>3</sup>The ESS is the partnership between the Community statistical authority, which is the Commission (Eurostat), and the National Statistical Institutes (NSIs) and other national authorities responsible in each Member State for the development, production, and dissemination of European statistics. This Partnership also includes the EEA and EFTA countries. The ESS also coordinates its work with Candidate Countries, and at European level with other Commission services, agencies, and the European Central Bank, and international organizations such as OECD, the UN, the International Monetary Fund, and the World Bank.

<sup>4</sup>Representatives of most EU and the European Free Trade Area (EFTA) statistical offices as well as of the European Central Bank (ECB), OECD, and the United Nations Economic Commission for Europe (UNECE) participated in this Group and its four task forces.

<sup>5</sup>At the heart of the ESS is the European Statistical System Committee (ESSC), which was established by Regulation (EC) No. 223/2009 of the European Parliament and Council of March 11, 2009 on European statistics. The ESSC is chaired by the Commission (Eurostat) and composed of the representatives of Member States' NSIs and with EEA and EFTA countries' NSIs as observers. Observers from ECB, OECD, etc. may also participate in the meetings of the ESSC. It meets four times a year.

### *Quality of Life*

The measurement of quality of life is a relatively new field in European statistics. The ESSC agreed that quality of life indicators need to be understood through a multidimensional framework such as proposed in the SSF Report. It however put forward its own multi-dimensional framework comprising nine dimensions, which cover both societal opportunities and individual capacities or resources:

- Material living conditions (income, wealth, and consumption)
- Health
- Education
- Productive and valued activities (including work)
- Governance and basic rights
- Leisure and social interactions (inclusion/exclusion)
- Natural and living environment
- Economic and physical safety
- Overall experience of life.

Within this context the measurement is concerned not only with objective outcomes, such as being at work or having a decent income, but also in collecting data on people's subjective perceptions of life. These subjective perceptions could relate either to the outcome overall experience of life or to the subjective perceptions of each of the other dimensions (satisfaction with income, with health, with social relationships etc.) (OECD, 2012).

Together with an Expert Group, Eurostat has established a first set of Quality of Life indicators, endorsed in 2013 by the European Directors of Social Statistics, and for which data are published on Eurostat's website.<sup>6</sup> This set will further evolve and be completed over time (Eurostat, 2013a).

For many of these indicators data are and will be provided by the EU-Statistics on Income and Living Conditions (EU-SILC), complemented with existing European statistics in the various fields of social statistics (i.e., employment, education, health). An important new instrument is the 2013 ad-hoc module of EU-SILC covering 11 new variables dealing with subjective well-being. The legislative framework for EU-SILC is actually being scrutinized and this within the general context of modernizing social statistics.

In contrast to other organizations, Eurostat and its partners in the ESS have taken a cautious approach with regard to indicator aggregation and agreed that, as a rule, aggregation should be limited to transparent methods with a sound scientific basis agreed upon by the statistical community. This entails that only data measured in the same units could be aggregated. By contrast, composite indicators combining individual indicators that have no common meaningful unit of measurement and implying arbitrary choices for weighting the sub-indicators cannot be labeled as official statistics and should thus remain in the research or political sphere.

### *Environmental Sustainability*

With respect to measurement, the main focus has been laid on developing environmental and economic accounts as the appropriate statistical framework, in

<sup>6</sup>[http://epp.eurostat.ec.europa.eu/portal/page/portal/gdp\\_and\\_beyond/quality\\_of\\_life/context](http://epp.eurostat.ec.europa.eu/portal/page/portal/gdp_and_beyond/quality_of_life/context)

order to ensure consistency with a more general framework encompassing also economic and social dimensions of sustainable development.

Over the last two decades, the ESS has gradually established a European environmental accounting system. Considerable progress toward broad implementation was made by the adoption in 2011 by the EP and Council of a Regulation on European environmental economic accounts.

This first Regulation contains three modules: (a) air emissions, including greenhouse gases; (b) environmentally related taxes; and (c) economy-wide material flow accounts (EW-MFA). European statistics according to this Regulation became available from Member States in early 2014, for the years 2008 to 2011, and this with a breakdown of 60 economic activities.

In April 2014 the European Parliament and Council added to the EU Regulation on environmental accounts, three further modules: “physical energy flow accounts” (PEFA); “environmental goods and services sector” (EGSS); and “environmental protection expenditure” (EPE). The latter two are especially important for the resource efficiency strategy as they capture the markets’ size for green products and services from both a supply (EGSS) and a demand side (EPE).

With regard to international developments, Eurostat contributed with expertise and financial support to the development of the System of Environmental-Economic Accounts (SEEA). The SEEA-Central Framework (SEEA-CF) was, in February 2012, adopted as an official statistical standard at UN level.

Within the context of the Roadmap<sup>7</sup> for a resource efficient Europe, Eurostat has published a Scoreboard<sup>8</sup> of Resource Efficiency Indicators (REI). This scoreboard presents indicators covering themes and subthemes of the Roadmap, such as on resource productivity, productivity of built-up areas, and water productivity. It aims to monitor the implementation of the Roadmap, to communicate the link between resources and economy, and to engage stakeholders.

### *Distribution of Household Income, Consumption, and Wealth*

In line with the recommendations of the Sponsorship Group, additional household related macro indicators “gross disposable income of households,” “adjusted disposable income in purchase power standards,” and “saving rate for households” are now published together with GDP. An expert group set up by OECD and Eurostat is actually examining how to reconcile macro and micro data sources on households’ economic resources with the aim of complementing national accounts averages with proper distributional indicators. Another question to be dealt with is how the differing size of social transfers in kind can be reflected best.

In addition, a series of recommendations have been made by the ESS for the compilation of balance sheet accounts for households and for broadening income measurement to non-market domestic activities and leisure time. Short term work

<sup>7</sup>[http://ec.europa.eu/environment/resource\\_efficiency/about/roadmap/index\\_en.htm](http://ec.europa.eu/environment/resource_efficiency/about/roadmap/index_en.htm)

<sup>8</sup>[http://epp.eurostat.ec.europa.eu/portal/page/portal/europe\\_2020\\_indicators/ree\\_scoreboard](http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/ree_scoreboard)

will concentrate on a proposed indicator on real household actual consumption; the work on non-market domestic activities will be carried out on a much longer term prospect.

#### FUTURE CHALLENGES

In the process of the European Semester, data are provided on the economic and financial situation and on the Europe 2020 headline indicators. While the economic and financial data are very timely, many social and environmental data are 2–5 years old. The latter are still useful in providing information on structural trends but their ability to provide an accurate picture of the current situation is limited.

The ESS is now striving to arrive at a simultaneous provision of more detailed and timely data on the social situation and on environmental sustainability.

This is quite a challenge and therefore Eurostat has started direct discussions with the respective Commission policy services to examine what could be done to speed up the data collection processes and to find innovative ways for providing more timely data. Examples for the social domain are the provision of EU-SILC flash-estimates, and in the environmental area we are investing in the calculation of CO<sub>2</sub> emission data from energy statistics.

Finally, Eurostat is further developing its work on measuring sustainable development and GDP and beyond, with a view to contributing to the Sustainable Development Goals (SDGs) to be established at global level and in line with the post-2015 development agenda (United Nations, 2012).

The priority elements on which the Commission focuses in this global debate are laid down in its 2013 Communication on “A decent life for all.” These priority elements are: basic living standards; drivers for inclusive and sustainable growth; sustainable management of natural resources; equality, equity, and justice; and peace and security (European Commission, 2013).

In its conclusions on this Communication, the Council has stressed that the EU and its Member States reaffirm that an inclusive and equitable green economy in the context of sustainable development and poverty eradication is one of the important tools available for achieving sustainable development.

The Council has also underlined the EU’s and the Member States’ commitment in this regard through their strategy for smart, sustainable, and inclusive growth (Europe, 2020), and through other relevant policies, in particular the EU Sustainable Development Strategy.

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