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Indicators for Lisbon post-2010. Business as usual?

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1. Introduction

The European Commission is declaredly in charge of an evidence based policy formulation which has high quality statistics at his heart. Still a communication gap, of which the EC might partly be held responsible, affects all EU institutions, to the point that the European Union has been defined the “least well understood political system in the world today” (Menon, 2008). Several remedies have been suggested to this state of affairs, including “promoting limited ‘democratic politics’” at the European Level (Hix, 2008), but we focus here on the part which pertains to the use of statistical information.

2. The dualism paradox. Towards a Sustainable Lisbon Agenda

This section is to explore whether the current confusion regarding “European Union indicators” can be reduced by formulating one comprehensive framework instead of two competing ones.

The last decade has seen an impressive increase in the availability of indicators aimed at supporting the European Union’s political decision-making process. While this is good news, a side effect is that potential users can easily get lost in the wealth of information offered at Eurostat’s home page. EU Member States and European Commission have therefore tried to structure this information, and to put up consistent frameworks for these indicators. Two major frameworks have been created – quotes from Eurostat, (selected statistics, **structural indicators** EC, 2010a):

> In the **Lisbon European Council** in 2000 the European Union set a strategic goal for the next decade "of becoming 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 invited the Commission to draw up an annual synthesis report on the basis of the **Structural Indicators**, which provide an instrument for an objective assessment of the progress made towards the Lisbon objectives, and support the key messages of the report. In 2006 the four following areas were set as the cornerstones of the renewed Lisbon Strategy: investing in knowledge and innovation, unlocking the business potential, investing in people and modernising labour markets, and *climate change* and *energy*.

Equally from Eurostat’s home page (selected statistics, **sustainable development indicators** EC, 2010b):

> The **EU Sustainable Development Strategy** (SDS), which was renewed in June 2006, sets out a coherent approach to how the EU will more effectively live up to its long-standing commitment to meet the challenges of sustainable development. … The SDI framework is based on ten themes, reflecting the seven key challenges of the strategy, as well as the key objective of *economic prosperity*, and guiding principles related to good governance. The themes follow a general gradient from the **economic**, to the **social**, and then to the **environmental** and **institutional** dimensions. They are further divided into sub-themes to organise the set in a way that reflects the operational objectives and actions of the sustainable development strategy.

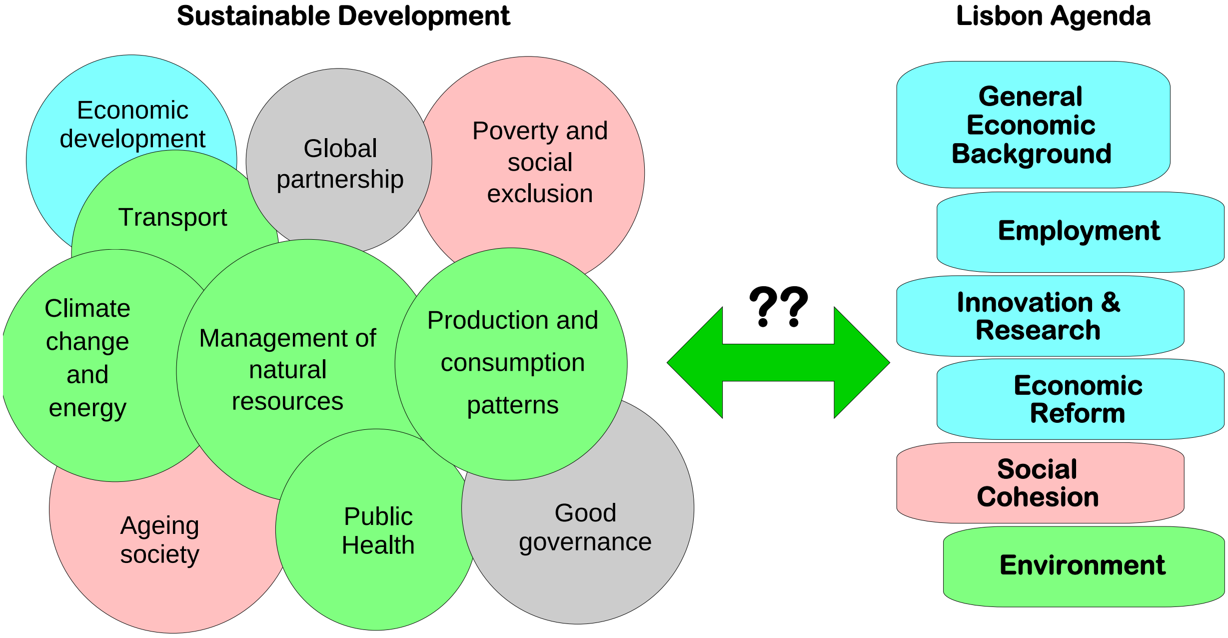
Under each heading, a computer-literate and patient user will find well over one-hundred “key indicators” – and a huge amount of indicators that are common to both frameworks. Given the complexity of decision-making in the 21th century, the total number of 200+ indicators is not surprising. What is surprising, though, is that apparently the EU needs **two** frameworks to take political decisions.

A quick check using Google phrase searches (November 2009) reveals that the two frameworks are equally popular:

> 31,400 hits for *european "structural indicators"*
> 36,200 hits for *european "sustainable development indicators"*

There are *sustainable* economic growth, *climate change* and *energy* in the Lisbon strategy, and there is *economic prosperity* in the Sustainable Development strategy. In order to visualise the phenomenon, we show below the two frameworks side by side, with their respective clusters:

Two overarching EU policy frameworks: Sustainable Development and Lisbon Agenda



To ease understanding of the differences, we used blue for economic, red for social, green for environmental and grey for institutional issues.

This peaceful coexistence of two competing world views raises a number of questions:

1. Is it healthy for the reputation of the European Union that journalists and decision-makers have to choose among two strongly overlapping frameworks?
2. Are there any compelling reasons to have two competing frameworks?
3. Have there been reasons to have two of them, and are they still valid?
4. How can we solve the problem?

We submit that the answers to questions 1+2 are simple: **no** and **no**, therefore we pass directly to number 3+4.

2.1. Historic reasons for having two frameworks

Sustainable development moved centre stage at the 1992 United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro. It became a fundamental objective of the EU when it was included in the Treaty of Amsterdam (1997) as an overarching objective of EU policies. At the Gothenburg Summit in June 2001, EU leaders launched the first EU sustainable development strategy based on a proposal from the European Commission.

The **Lisbon Agenda** was launched by the European Council in Lisbon in March 2000 as an action plan for the European Union whose aim is to make the EU "the most dynamic and competitive 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 by 2010".

Obviously, the structures created for developing the respective indicator sets, i.e. Working Groups composed of Member States representatives and EC officials hosted by Eurostat, were not run by the same persons: The EU’s Sustainable Development framework was elaborated by SD experts, while the setup of the Lisbon framework was (mainly) in the hands of economists.

Of course, SD experts claim that Sustainable Development must never, ever be confused with “environmentalism”. Still, five out of ten themes look pretty “environmental” (marked in green in the graph above) – however, in order to acknowledge the existence of the Lisbon strategy, the SD experts generously granted also one corner to “economic” themes.
Not surprisingly, the Lisbon agenda expert community treats in four out of six themes strictly economic issues – but in order to acknowledge the existence of “Sustainable Development”, they generously grant one theme each for all the social (gender, poor etc) and environmental (climate, energy etc) “residuals”.
The origin of the dual framework problem is thus the coexistence of two “organically grown” policy streams that had little contact to each other. There was no master plan behind – but now it might be the right moment to launch one, and to reconcile the two frameworks in order to present the European citizen with a more coherent picture.

2.2 What to do

Given that the indicators framework dualism was to some extent the making of the European Commission, we would see some merit in the new Commission solving the dualism by merging the two working groups. Member States could send both SD and Lisbon experts to a single working group which could arbitrate a common approach. Not addressing this “involuntary dualism” problem will mean that the Commission will continue to speak with different voices to different constituencies. While this can be seen as tactically expedient and in line with the Commission’s sectorial organization, it is perhaps inefficient and ineffective in the long run.

It is to be noted that the Commission has a “*Beyond GDP*” (EC 2009) agenda, it cooperates with the OECD on how to redefine societal progress (OECD 2009a), and it explores avenues such as environmental and social accounting. This wealth of initiatives from different actors should find a better synthesis in today’s Commission, as argued in the next section. Furthermore the recent report by Stiglitz et al. (Stiglitz et al., 2009) has changed the indicators landscape and to some extent overtaken -- by the sheer might on the intellectual firepower of its authors – the Commission beyond GDP strategy.

3. Communicating with indicators

In this section we explore how statistical indicators can serve the purpose of communication and what level of aggregation would be needed to make this communication effective in different contexts. The motivation of this section is to argue that indicators are not laboriously collected by statistical offices -- including EUROSTAT -- in order to be stacked in data bases. They should be used to inform policy and to communicate it with stakeholders, be these authorities in the member states or simple citizens, along the lines established in 2000 in Lisbon under the heading of the Open Method of Coordination. The demise of the OMC method witnessed after 2004 has been detrimental to the EU institutions and to the EC in particular. Without OMC, the EC communication policy is left open to labels of rhetoric (Alesina and Perotti 2004) or propaganda (Thomasson-Lerulf and Kataja 2009).
A consensus should be pursued about the relevance and legitimacy of high quality official statistical information and the OMC should be given fresh impetus.

We imagine a structured hierarchy of indicators serving different purposes. This is not new to stakeholders and the Commission; in the context of the Structural Indicators project a so-called short list and long-list coexisted for a number of years. One can imagine the indicators for the EU2020 strategy likewise structured. One might have at the lowest level of the pyramid the indicators themselves (call them the EU2020 Indicators). At an intermediate level a short list of key indicators, and at the highest level, structured, pillar-wise indices on the style of e.g. the World Economic Forum’s Global Competitiveness index or World Bank’s Doing Business index. In detail:

The list of **EU 2020 (EU2020)** should be kept flexible and be the subject of a constant analysis and reflection, along a well established praxis of negotiation among the Commission services, and possibly external input e.g. from the OECD.

The short list of **Key Indicators, (KI2020)** is needed for official reporting of the Commission (also known as the Lisbon scorecard).

A set of policy specific indices (**Indices**) could be developed to substantiate and communicate the Lisbon agenda to stakeholders and citizens alike, along relevant dimensions such as the environment (environmental pressure), the labour market (flexicurity), the knowledge triangle (the fifth liberty) and so on.

Different functions can be met by each of these measures. Using a taxonomy of needs proposed by the Secretary General of the European Commission (EC 2009c) these would be:

- Help spelling out the main objectives of the post 2010 strategy **(KI2020, Indices)**
- Create political visibility on specific issues, which are illustrative and can spearhead progress in a wider setting **(Indices,KI2020, EU2020)**
- Allow for benchmarking, for identification of best practises and general monitoring of progress. If possible comparisons between countries inside and outside of the EU should be made **(EU2020)**
- Allow for setting of new targets at national as well as EU level **(EU2020)**

All indicators should be of adequate statistical quality.

3.1 The process

While the construction and maintenance of the EU2020, KI2020 sets is business as usual – with the Commission services used at negotiating among themselves on indicators priority, their use in policy analysis and communication would imply a reconsideration of the demise of the OMC.
As far the use of aggregate indices is concerned, the record of the Commission is mixed. Some indices such as those of innovation, e-business, or regional energy security are quite well developed and used for policy analysis. Other such as flexicurity and regional competitiveness are under development. Others such as the internal market index were discontinued, with the paradoxical results that on internal market policy, arguably the most important under the Union direct control, are not monitored directly of the EC, but rather by other institutions like e.g. the OECD via the Product Market Regulation Index (www.oecd.org/eco/pmr).

There cannot be a strategy without a measure. '*Rerum omnium numerus nodus*' (the number is the root of all things) according to an inscription on the headquarter of the Italian statistical office. In relation to multidimensional evaluation of performance, Pope Gregorius X – some twelve centuries later, noted: “Comparison should be made not on zeal, nor merit, but solely of numbers”. The continent of Borda and Condorcet has a robust tradition of measuring policy performance. Thus the European Commission needs communicating with statistics:

1. To create an identity and a narrative for the overarching goal of the EU policy.
2. To allow stakeholder and citizens alike to be exposed to it
3. To promote transparency and accountability
4. To fill a space otherwise taken by the press itself

In relation to this last point it can be noted that in 2004 the analysts of the Financial Times built their own Lisbon league table condensing a short list from the European Spring Council (Saltelli 2007). Academics from Bruegel (Pisani Ferry and Sapir, 2006) argue that:

> "*Civil societies learn from the experience of others. Such policy learning can be enhanced by initiatives that facilitate cross country comparison and benchmarking.[…] peer pressure and benchmarking should be integral parts of the political process that underpins Lisbon 2. Transparency benefits the democratic process as it empowers national electorates to review the performance of their own governments and it helps focus the debate on key areas of underperformance. The use of league tables facilitates this process*."

Similar concepts can be found in the Kok report (2004):

> "*An ambitious and broad reform agenda needs a clear narrative, in order to be able to communicate effectively about the need for it. So that everybody knows why it is being done and can see the validity of the need to implement sometimes painful reforms. So that everybody knows who is responsible*"

The European Commission itself has subscribed to a similar agenda in the Istanbul declaration (OECD 2009b):

> *The availability of statistical indicators of economic, social, and environmental outcomes and their dissemination to citizens can contribute to promoting good governance and the improvement of democratic processes. It can strengthen citizens' capacity to influence the goals of the societies they live in through debate and consensus building, and increase the accountability of public policies.*

Of course one thing is to agree on a set of key indicators, as advocated by the last two references cited, and another is to aggregate them in order to capture media attention and citizens' interest. The process of aggregation presents clear difficulties, although the technical know how is not lacking (OECD-JRC 2008).

On the other hand these measures are needed. Consider the European Research Area (ERA), an important element of EU policy. Outside a few selected European Commission buildings in Brussels the acronym ERA is unknown to the average EU citizen. Were an indicators to be built around the concept of the Fifth Liberty, this might capture the imagination of the media and – in due time -- make a foray into the mainstream political discourse.
Indices developed by international organizations should also be actively used. To make an interesting example, the recent Bruegel policy brief (Sapir 2009) integrates data from:

> "Eurostat, Integrated Network for Societal Conflict Research, Freedom House, Economic Freedom Network, Transparency International, World Bank, [the] Econom[ist] Intelligence Unit, the April 2009 forecasts of the European Commission's DG ECFIN, and the IMF".

4. Democratic challenge and social agenda

The European Commission is likely to be perceived via the media as particularly present on economic and environmental themes and less on its social agenda. This is strange given the EU historic commitment to the objective of cohesion, one of the founding pillars of the treaties (Altomonte and Nava 2005).

Since the Single European Act (1986) social cohesion is built on the assumption that redistribution between richer and poorer regions in Europe balances out the effect of economic integration. A strategic turn in cohesion policy started in 2004 centring structural and cohesion funds on Lisbon objectives of innovation, (sustainable) growth, and jobs. For the period 2007-2013 funds (35.7% of the EU budget!) are allocated to three priorities: convergence along the Lisbon targets (support for growth and job creation in regions with low per capita GDP – the key variable to direct 80% of cohesion funds), regional competitiveness and employment (support to deal with economic and social change, globalization and the transition to the knowledge society), and territorial cooperation (stimulation of cross-border co-operation).

Does social cohesion agenda really reflect the Lisbon goals? In principle yes, however practice is less clear. This is because cohesion policy works through National Reform Plans and usually Lisbon objectives do not have obvious and univocal "national disaggregation". In other terms it is not easy to go from EU Lisbon objectives to national Lisbon objectives and then to national action plans. This is complicated by the fact that (i) the cohesion agenda has a strong regional dimension in it while the Lisbon agenda has not and (ii) cohesion goals are broader than Lisbon ones (including e.g. governance) while concentration on core priorities is felt as necessary.

The whole cohesion policy, moreover suffers from a vicious circularity: *social goals have progressively being pursued by "camouflaging" them as efficiency goals … and efficiency goals have often been justified with reference to their social synergies* (Barca, 2009). Broad priorities often antithetic, fuzzy objectives, inadequate evaluation instruments hamper the capacity to monitor and assess results. Detractors of cohesion policy claim that it is a catch-all policy without a clear mission. In addition little reflection has been devoted the degree of compatibility between "efficiency" and "cohesion" measures: the paradigm of an increased efficiency that will result in a more cohesive society can hardly be justified (if at all) between countries or regions but has little ground within countries (regions). Last but not less important "*policy processes without tangible goalposts of success are quite meaningless because measuring progress would be left to subjective evaluation rather than objective and measurable analysis*" (Mettler, 2009). This especially true for cohesion policy where the lack of agreed and measurable outputs prevent any serious evaluation of the effectiveness of European policies (not to mention that the contribution of this policy to economic development and growth remains contested and uncertain (Mazzella and Mendez, 2009).

A revised Lisbon must capture today's challenges. With one in 10 workers (= extra 25 million people) in advanced economies without a job in 2010 (OECD forecast, March 30 2009) the EU should not be perceived as preparing to fight yesterday's war. As noted in the Commission note (EC 2009a), renewed emphasis might likely be due to "*financial sustainability and the quality of public expenditure (particularly in the context of the exit strategy from the crisis), improving education, skills matching, and promoting life-long learning, mobility and migration, (social) innovation models and creativity, infrastructure and the use of natural resources*".

We do not disagree with those challenges. Several objectives are to some extent antithetic, as in this case competitiveness and social cohesion. Therefore transparent public goals – and a careful assessment of trade offs - are essential, hence the need for an agreed system of key indicators.

Our reflection focuses here on an important element of the social agenda which is perhaps missing: How to reconcile and increasing apathetic polity with the European or Lisbon agenda. We identify a cohesion challenge in the EU which is driven by growing inequality running within countries. Inequality and its acute perception by stakeholders is a toxic element of today's European societies and one that seems to be associated to decreased levels of trust (Hoskins et al., 2008), civic engagements and participation, as well as to a host of other social challenges from health to crime. We base this remark on our own recent research on active citizenship as well as on recent works on the topic[1]. According to Wilkinson and Pickett (2009) inequality as measured by the GINI coefficient is correlated with a host of social problems from poor health and obesity to crime and loss of trust. JRC preliminary studies based on data from Eurostat, OECD, Unicef and WHO seem to confirm these findings as applied to the EU 27. E.g. a negative correlation is found between GINI index and trust in others, active citizenship index and the overall birth rate. A positive correlation is found with the adolescent fertility rate and the national homicide rates.

This is not a call for the Commission to become the socialist party of the 21st century, neither to champion equality per se. Still the Commission should reflect on what level of inequality becomes detrimental to growth. In a chapter aptly named "Fairness" Akerlof and Shiller, authors of '*Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism*', argue that perception of fairness and unfairness are of crucial importance in the functioning of societies, e.g. in the mechanism of wage setting. At hearth this arguments seems to us to be already in Adam Smith's Theory of Moral Sentiments, where it says that resentment (against injustice) has been "given to us by nature for defence".
A related issue is that of trust in the provision of official statistical data. The Stiglitz report notes that: "*When there are large changes in inequality (more generally a change in income distribution) gross domestic product (GDP) or any other aggregate computed per capita may not provide an accurate assessment of the situation in which most people find themselves. If inequality increases enough relative to the increase in average per capital GDP, most people can be worse off even though average income is increasing*." This strongly affects the way citizens perceive inflation, and the gap between perceived and measured inflation "*is so large and so universal that it cannot be explained by reference to money illusion or to human psychology. In some countries, this gap has undermined confidence in official statistics (for example, in France and in the United Kingdom. only one third of citizens trust official figures, and these countries are not exceptions), with a clear impact on the way in which public discourse about the conditions of the economy and necessary policies takes place*."

If it is true that beyond a certain threshold the perception of "unfairness" can make societies dysfunctional, one can wonder why -- with the exception of the education policies, where inequality is perceived as threat worth being addressed[2] (e.g. in higher education), the challenge of inequality is not of particular concern to different areas of EU policy.

Our experience on active citizenship research warns us that the functioning of democracies demand a level of trust, and that this might be influenced by inequality. The drift of younger generations away from our polity is in the end the cohesion challenge of our times.

5. Conclusions

We are aware that in the latest European Commission blueprints for action – the EU 2020 (EC 2009d) document -- does not even contains the word 'indicator', as noted by the Lisbon Council (Mettler

[1] See the web page http://active-citizenship.jrc.it/

[2] There is a strategic challenge `Promote equity and active citizenship' in the EC Communication An updated strategic framework for European cooperation in education and training, Brussels, 16.12.2008, COM(2008) 865 final.

2009). We hope the present brief contributes to accelerate our reflection of what measures should be adopted for policy assessment.

A story concludes our brief note. In 2003 researchers at the Jao Tong university in Shanghai launched an indicator higher education ranking. This was met with extraordinary media hype. Everybody, including academia, realized that this was something new and potentially explosive. The European universities were not doing well “at the top”. They were not bad either, but not excellent, within the top 50, with the exception of those of UK and Switzerland, and neither excellent in the top 100, bar those of the countries just mentioned plus Sweden (Aghion et al., 2008).

Everybody moved in. Jao Tong had imitators, president Sarkozy demanded urgent reforms in France and the Commission strengthened its higher education agenda. Although the ranking had its critics (Saisana et al., 2009), the policy landscape had moved.

At a recent international conference on higher education ranking attended by one of the authors, only one speaker was from Jao Tong. As many as four speakers discussed how the Commission will develop its own system to measure university performance (though never a ranking of countries!) by the year 2011. A single speaker from the Lisbon Council presented a ranking of university systems in different developed countries (Ederer et al., 2008). One might argue with the metric presented by the Lisbon Council, but the suggestion that university *systems* in member countries deserved attention is plausible.

The example illustrates a present Commission’s concern against ranking member states and or their institutions. Our point is that this may force the Commission to operate reactively when the same member states are ranked by other international actors.

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Abstract

This paper looks at the ongoing debate within the European Commission on the EU 2020 strategy and in particular to the potential role of **statistics-based knowledge** in the strategy , and takes partly inspiration from a reflection on the Lisbon strategy for growth and jobs EU 2020 in the framework of the implementation of the European economic recovery plan. We highlight **three shortcomings** in the present (pre-EU 2020) use of statistical indicators which the present debate does not seem to address and which hence risk being perpetuated in their EU 2020 formulation:

- The paradox of the **coexistence** within the same European Commission of **two holistic frameworks**: the **Structural Indicators** and the **Sustainable Development Indicators**. One does not understand which of these two systems is taken to measure the overall policy performance of the Commission. The resulting **dualism –** in the opinion of the authors - does not help the communication policy of the European Commission.
- A **communication issue** whereby the Lisbon strategy and its offspring EU 2020 are not communicated (Lisbon is to the average citizen the capital of Portugal) and are especially not communicated in relation to existing statistical indicators of good quality, against the opinion of academicians that **transparency** and a**ccountability** based on **sound statistics** favour democracy and participation and may be useful against citizens' and voters' apathy.
- The paradox that EU policy and its communication is mostly **economic** -- the financial crisis (the 'crunch') and its management in relation to the health of public finances, and **environmental** (global change, carbon emission, post Copenhagen), and less to an EU **social agenda**. There is little emphasis in EU policy and communication on the **challenge of inequality** which might impact adversely on democratic participation and values.

We illustrate the reasons that lead us to see these points as problematic and offer suggestions on how these should be tackled. Without a change of course on these three challenges the debate on the selection of new indicators will very much risk being and internal European Commission **business as usual**.

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