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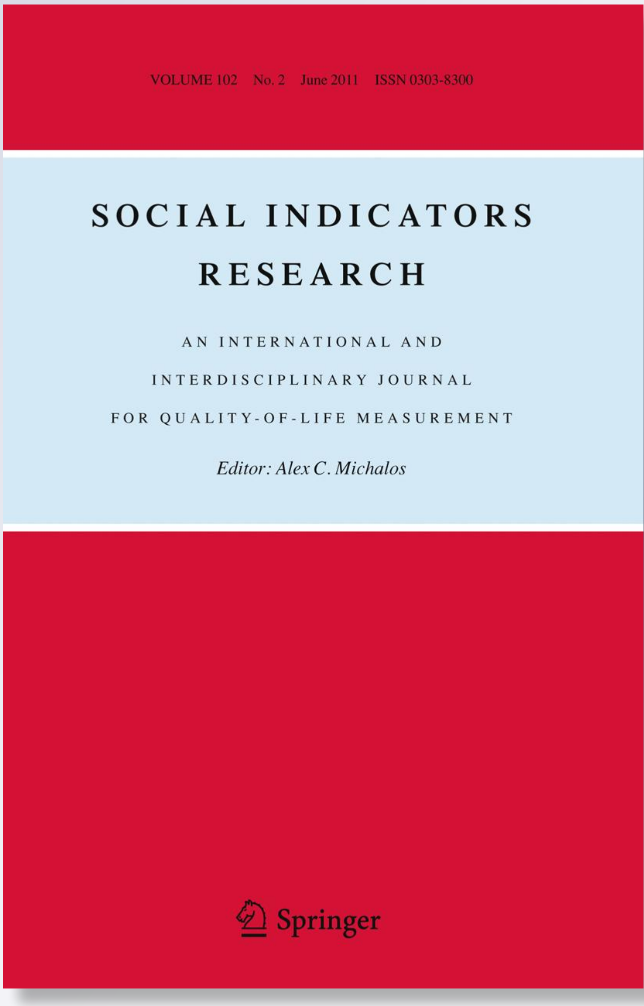

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Indicators for European Union Policies. Business as Usual?

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Abstract This paper looks at the role of *statistics-based knowledge* in the making of EU policy. We highlight *shortcomings* in the use of statistical indicators made in the course of the Lisbon strategy, ended in 2010. In our opinion the shortcomings are: (i) 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 European Union. (ii) 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. We illustrate the reasons that lead us to see these points as problematic and offer suggestions on how these should be tackled in line with the practices developed in the Open Method of Coordination. The danger is that in the absence of a debate on the issue, these shortcomings be perpetuated in the EU 2020 strategy.

Keywords Lisbon strategy · Indicators

1 Introduction

'Rerum omnium numerus nodus'

The year 2010 marked the deadline of the so-called Lisbon strategy, aimed to modernize the European Union economies between 2000 and 2010. Several balances have been drawn of the strategy by international observers, think tanks and the European Commission itself.

The views expressed in this paper are those of the authors and should not be attributed to the European Commission.

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In the present paper the fate and the fortune of the use of statistical information in the context of the Lisbon strategy are investigated. This is justified by the preeminent role given by the strategy itself to evidence based policy, with evidence in this case being of statistical nature, within and without the so called Open Method of Coordination (OMC). A mixed picture emerges from existing analyses.

The onset of the present financial then economic crisis has re-ignited a discussion about the power of soft versus hard tools for policy coordination. According to some (see e.g. ALDE 2010) the key ingredient of the Lisbon strategy should be (or should have been) given the same status—and teeth, of the growth and stability pact. For these observers the OMC was too soft to work and failed.

In an articulate critique of the OMC Altomonte and Nava (2005, p. 188) note "*The OMC in fact lacks most of the elements that are necessary to foster reforms and that made the Maastricht criteria and the Growth and Stability Pact reasonably strong policy tools: visibility, political ownership, right incentives, constraining calendars, effective monitoring and collegial culture*."

Notwithstanding these limitations of the OMC we still believe that it is effective and has a role to play—even without the introduction of benchmarks. Had the OMC not been useful, it would not have been downplayed halfway through the Lisbon Agenda implementation in 2004, when elected representatives in member states manifested their dislike for league tables and finger pointing.

The European Commission has in our opinion responsibility for:

– First maintaining parallel narratives with different sets of indicators such as the Structural Indicators and the Sustainability Indicators—not to mention the set linked to the growth and stability pact.
– Yielding to member stated request that the OMC based on the set of Lisbon indicators be de facto dismissed.

While an international OMC process is on course—we take the examples of the OECD's PISA study and the World Bank's Doing Business index, the European project has been to some extent orphaned of its own in house OMC, with a resulting loss of ownership and legitimacy.

A thesis of the present work is that statistics did and will play an important role in citizens affection and participation to policy, and that if a disaffection occurred toward the EU enterprise, an ineffective or counterproductive use of statistical information might have played a role.

1.1 Open Method of Coordination

The Lisbon Agenda launched in March 2000 constitutes a turning point in the EU governance. By setting a set of medium term objectives designed to foster competitiveness and modernizing the European social model, Member States agreed that further coordination of national economic, employment and social policies were needed.

An important role in the Lisbon strategy was to be played by the open method of coordination (henceforth OMC). Instead of relying on the harmonisation of national legislations the OMC aimed at coordinating national policies within a collectively agreed framework. Such new form of governance, situated between intergovernmental cooperation and the implementation of common rules, allows for the coordination of national policies covered by the Lisbon strategy without a full transfer of competence to the EU.

A chrono-history 'in pills' of the OMC could run as follows:

- Started as a soft policy instrument, initially used for the coordination of the national employment policies, the OMC is based on the agreement of common objectives at the European level. Member States implement national action plans to converge towards those objectives but are free to decide about the instruments and means used. Benchmarks agreed between EU institutions and the member states are used to monitor the national progress towards the agreed common objectives. A name and shame approach complements the monitoring of the national actions.
- With Lisbon Council 2000 the OMC was extended to cover other areas of the so-called Lisbon strategy. With subsequent councils till 2004 the OMC ended up covering practically all areas of EU policy, in particular the social protection, social inclusion, education, youth and training, research, innovation and environmental policy areas, via a set of so-called structural indicators maintained by the EU statistical office.[1] A major role was devoted to the European Commission for defining the guidelines, translating it into indicators and then ranking the Member States from the best performing to worst performing country.
- The OMC suffered a set back between 2004 and 2005. First, the objectives of the Lisbon strategy, targets and indicators were refocused on growth and jobs, leaving aside social and environmental dimensions.[2] Second, a new form of bilateral partnership between Member States and the European Commission was preferred to the initial multilateral periodic monitoring and benchmarking.[3] This was mostly due to Member States dislike at being ranked in league tables. The governance structure of the revised Lisbon strategy now relies on the preparation by Member States of national reform programmes (along the integrated guidelines approved by the Council) with little or no benchmarking at all.[4] While an external observer can still compare countries based on all structural indicators (Tilford and Whyte 2010) the Commission no longer does.

Although the OMC is still purportedly a live instrument of European policy (see e.g. the Commission's own analysis of Lisbon success, EC 2010a, p. 21), after the refocusing on "Growth and Jobs" of 2004, the Commission came to the conclusion that 'naming and shaming' EU member states created more problems than it solved. The same analysis (EC2010a) also notes that "*While the OMC can be used as a source of peer pressure and a forum for sharing good practice, evidence suggests that in fact most Member States have used OMCs as a reporting device rather than one of policy development*."

The OMC was also criticized outside the Commission. According to Menon (2008, p. 104) it is hard to see why the Commission "would have an incentive to be openly critical and thereby risk irritating governments". According to the Lisbon Council (Mettler 2009) in its initial version OMC "*had turned into something resembling a 'Christmas tree', with more and more indicators added to measure more and more objectives*". ALDE notes that "*The Lisbon strategy failed because it was based on the "open coordination of method*".

Still it is not easy to see what could have been used in place of the OMC, lest the idea of soft power at the core of the agenda be discarded entirely in favour of binding agreements

[1] Note that there are variations in the OMC modalities and procedures according to the policy area covered.

[2] The OMCs related to the social cohesion (social inclusion, pensions, and health care and long-term care for the eldery) were condensed into a separate "Social Protection and Social Inclusion OMC".

[3] The governance structure of the Lisbon strategy was totally overhauled with member states given more latitude in reporting their own progress via their annual country reports.

[4] More latitude is given to Member States in preparing their national reform programmes and reporting their own progress via their annual country reports.

on all policies of the Union, not a realistic prospect. Our thesis is that the demise of the OMC 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). We concur with the mid-term evaluation of the Lisbon strategy, the "Kok report" (2004),which advocated more naming, shaming and faming.

The hesitation of the Commission to go the extra mile and draw its own bottom-line of Lisbon leaders and laggards is that the bottom-line was (and is) taken by other actors: 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). The effectiveness of the OMC can be also appreciated in the study by the Centre for European Reform (Tilford and Whyte 2010), where the so called 'short list' of 14 structural indicators is used. Based on these indicators the CER makes a dispassionate analysis of 'heroes' and 'villains' in the Lisbon agenda which is both informative and compelling.

Furthermore, whatever the European Commission does, an international OMC process is on course, which can be halted neither by national governments nor by international organizations. The CER report which is largely drawn on the EC structural indicators also uses measures such as the OECD's PISA study of the literacy of young pupils,[5] the World Bank's Doing Business composite indicator,[6] and the Shanghai and THES ranking of higher education[7] to compare the performance of EU countries. The Commission also relies on similar sources, sometimes explicitly and sometimes implicitly. In the EU 2020 guidelines (EC2010b) the international university rankings of Shanghai and THES are mentioned explicitly while the OECD-PISA is alluded to via "*pupils* […] *poor reading competences*" and the World Bank's narratives of the Doing Business index via the "*reducing the transaction costs of doing business in Europe*". Regional authorities are also subject to an OMC. According to The Economist (2010), reporting on the work of Ludger Woessmann of Ifo, the 2001 PISA results, "*put state* [read: Landers] *education ministers under pressure. The states that performed worst narrowed the gap with the best performers by half within six years*".

Whatever the strategy adopted by the EU institutions, an international OMC is in place. Without fixing targets, these international measures are already part of the political discourse and are often instrumental in the setting of policies at the national as well as the regional levels.

This process is reinforced by the fact that citizens' interest for statistical information is rising. As noted in the recent report by Stiglitz et al. (2009), this increase demand for statistical information derives "*from improvements in the level of education in the population, increases in the complexity of modern economies and the widespread use of information technology. In the "information society", access to data, including statistical data, is much easier. More and more people look at statistics to be better informed or to make decisions*".

1.2 Duality of EU Frameworks

The European Commission is declaredly in charge of an evidence based policy formulation which has high quality statistics at his heart. The last decade has thus seen an impressive

[5] See http://www.pisa.oecd.org/pages/0,2987,en_32252351_32235731_1_1_1_1_1,00.html.

[6] See http://www.doingbusiness.org/economyrankings/.

[7] See http://www.arwu.org/, and http://www.timeshighereducation.co.uk/.

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 and there is clearly a confusion regarding "European Union indicators".

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*[8]):

> 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*[9]):

> The *EU Sustainable Development Strategy*, 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". Given the complexity of decision-making in the twenty first 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. The Lisbon-related national reform programmes and the national sustainable development strategies as well as the related country progress reports of both strategies are prepared separately, under the supervision of different coordination groups and along the lines of their respective frameworks. This peaceful coexistence of two competing world views raises a number of questions, including e.g. whether it is healthy for the reputation of the European Union that journalists and decision-makers have to choose among two frameworks.

This is even truer when considering that the two strategies strongly overlap. There are *sustainable* economic growth, *climate change* and *energy* in the Lisbon strategy, and there is *economic prosperity* in the Sustainable Development strategy. As shown below, while

[8] http://epp.eurostat.ec.europa.eu/portal/page/portal/structural_indicators/introduction, accessed June 2 2010.

[9] http://epp.eurostat.ec.europa.eu/portal/page/portal/sdi/introduction, accessed June 2 2010.

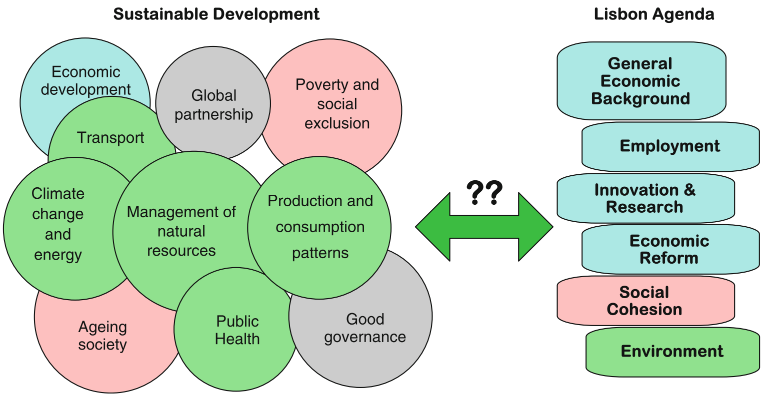

Fig. 1 Two overarching EU policy frameworks: Sustainable Development and Lisbon Agenda. To ease understanding of the differences, we used different shades of gray for economic, social, environmental and institutional issues

five out of ten themes covered by the Sustainable Development strategy look pretty "environmental" the Sustainable Development experts acknowledge the existence of the Lisbon strategy by explicitly and generously granting one corner to "economic" themes. Similarly, the Lisbon agenda expert community treats in four out of six themes strictly economic issues—but still devotes one theme each to the social (gender, poor etc) and environmental (climate, energy etc) issues. Because of this overlap, numerous indicators are common to both frameworks (see Fig. 1).

The origin of the dual framework problem is due to the coexistence of two "organically grown" policy streams that had little contact to each other. Sustainable development moved centre stage at the 1992 United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro and then became part of the Treaty of Amsterdam (1997). The first EU sustainable development strategy (SDS) was launched in 2001 at the Gothenburg summit. While the EU SDS has a strong UN background, the Lisbon strategy is a pure European initiative launched, as discussed above, by the European Council in Lisbon in March 2000 as an action plan for the European Union. Two separate working Groups composed of Member States representatives and EC officials were created under the coordination of Eurostat to look after the SDI and Lisbon indicators.

There was thus no master plan behind the existence of the two frameworks– but now it is the right moment to launch one, and to reconcile the two frameworks in order to present the European citizen with a more coherent picture. Not addressing this "involuntary dualism" problem will mean that the Commission will continue to speak with different voices to different constituencies, i.e. playing the SDI tunes to the more ecologically minded stakeholders—see e.g. Beyond GDP (2009), and the Lisbon ones to the mainstream economics ones.

While this can be seen as tactically expedient and in line with the Commission's sectorial organization, it is likely to be inefficient and ineffective in the long run.

As a matter of fact, even if in its own evaluation of the Lisbon strategy (EC 2010a) the European Commission recognizes that a stronger link between the Lisbon Strategy and other EU instruments and sector specific initiatives or policy measures would have improved its effectiveness.

In our view a way to reinforce the links would by a common set of indicators for the entire policy agenda organised in a possibly coherent structure.

2 Toward a Credible Evidence Based EU Agenda: Proposals

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, interest groups or simple citizens. The role of indicators could be:

- Help spelling out the main objectives of the EU2020 strategy;
- Create political visibility on specific issues, which are illustrative and can spearhead progress in a wider setting;
- 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;
- Allow for setting of new targets at national as well as EU level.

As explained in the previous section, the existence of two overlapping frameworks is both inefficient and confusing. As underlined 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.*"

A clear narrative would imply a coherent set of indicators, and this in turn would imply some kind of negotiation between different sets of norms and beliefs. 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, which was periodically revised by negotiation both within and across EU institutions.

Ideally one could revert to such a system. The so called *long-list* of indicators could 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. A single portal at the EU statistical office would offer access to it.

A short list of *Key Indicators* could be used for official reporting of the Commission. One could call this the EU2020 scorecard, on the style of Tilford and Whyte (2010).

Further to this a set of policy specific *Indices* could be developed to substantiate and communicate the EU policy agenda to stakeholders and citizens alike, along relevant dimensions such as the flexicurity, competitiveness, innovation and so on.

All indicators should be of adequate statistical quality. As far as the use of aggregate indices is concerned one thing is to agree on a set of key indicators, 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). The Commission has developed and used for policy analysis indices such as those of innovation, e-business, and regional energy security. Other indices such as flexicurity's pillars and regional competitiveness are under development (Manca et al. 2010). The internal market index was discontinued, with the paradoxical results that on internal market policy, arguably the most important under the Union direct control, the Commission only monitors and reports on transpositions and infringements (See Internal Market Scoreboard 2010[10]), while one has to resort to the OECD Product Market Regulation Index (www.oecd.org/eco/pmr) for a broader picture of the openness and effectiveness of the internal market. Note that the latest EC brief on the issue calls for "*relentless advocacy of the merits of market integration and vigorous competition*" (Monti 2010).

[10] http://ec.europa.eu/internal_market/score/docs/score20_en.pdf.

Such aggregate indices can play a crucial role in communication. To make an example, consider the European Research Area (ERA), an important element of EU policy, inclusive of the so-called the Fifth Liberty—the liberty for researchers to travel and shop for jobs across the EU. 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 ERA concept, this might capture the imagination of the media and—in due time—make a foray into the mainstream political discourse. In using these measures, as noted by the Stiglitz report (p. 65), their underlying normative assumptions—i.e. in the choice of the framework and the weighting of variables—should be clearly spelled out.

Note that indices developed by international organizations should also be actively used. To make an interesting example, beside the CER report already mentioned, a recent Bruegel policy brief (Sapir 2009) addressed to the European Commission integrates data from actors as different as: "*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*".

The use of aggregated indices in policy analysis and communication would imply a reconsideration of the OMC. As argued by Pisani Ferry and Sapir (2006) league tables play a key role in policy learning, transparency and accountability. The hesitation of the Commission to 'name and shame' (or even to 'name and praise'), leads Tilford and Whyte (2010) to propose that the Commission outsources this task to a group of experts, a rather extreme course of action in our opinion.

Finally, how about a 'super index' capturing the entire policy spectrum? After all Tilford and Whyte (2010) at the beginning of their brief do just that, by condensing into a single table Lisbon heroes and villains. Likewise the Lisbon Council in its yearly Growth and Job monitor provides a summary scorecard (see e.g. Lisbon Council 2009). Media have a sure appetite for such kind of 'bottom line' statements, and we have ourselves toyed with the idea in the past. Still the task is extremely arduous. In the Stiglitz report (p. 75) it is argued that the issue of sustainability is so fraught with normative assumptions—e.g. in the relative weights of its various pillars—that there "*there can be as many indices of sustainability as there are normative definitions of what we want to sustain*". We are afraid that a normative convergence of the kind that would be needed to weight all the ingredients of the Union policy will probably elude us for still some time to come—notwithstanding how desirable a discussion of this nature would be: the mere attempt to create the 'super index' might yield valuable insights into the structure of European Union policy.

A robust OMC should thus be a key ingredient of the EU project's fabric. It is needed to hold political establishment accountable, policies transparent and citizens' ownership possible. A European project without a mechanism of soft power of this nature seems hard to reconcile with the philosophy of the Union,[11] the modus operandi of the European Commission and the potentiality of the Commission own statistical office.

3 Conclusions

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

[11] See e.g. the soft power praised by Rifkin (2004).

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). In this paper we have focused on the part which pertains to the use of statistical information.

We believe, as stressed in the Istanbul declaration underwritten by the European Commission (OECD 2009) that "*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".*

The European Commission needs communicating with statistics:

1. To create an identity and a narrative for the goals of the EU policy;
2. To engage an increasingly literate constituency;
3. To promote transparency and accountability;
4. To fill a space otherwise taken by other actors or stakeholders.

In its own evaluation of the Lisbon strategy the European Commission had noted (EC 2010a): "*A stronger link between the Lisbon Strategy and other EU instruments and sector specific initiatives or policy measures would have improved its effectiveness…*

Links between the Lisbon Strategy and other EU instruments and/or strategies, such as the Stability and Growth Pact, the Sustainable Development Strategy or the Social Agenda, have not been sufficiently strong, so that rather than being mutually reinforcing some of the strategies have been operating in isolation."

In our view a way to reinforce these links would be a common set of indicators for the entire policy agenda, along the lines adopted by the scorecard of the Centre for European Reform discussed in the present note (Tilford and Whyte 2010). Still adopting a list is just the beginning, if the list itself does not become the subject of a participated debate on its content. To make an example the CER authors just quoted forcefully argue against the 3% objective. The ecological economics community (and the same OECD) has much to say about the biofuel ingredient of the 20/20/20 target. Schumpeterian theorists and human capital theorists will have different recipes for growth, and the role of skills and education are already a central theme of this debate which is largely driven by statistical information (Hofheinz 2009; Hanushek and Woessman 2010, CEDEFOP 2009). The Commission participates to this process with a number of worthy analyses, in fields such as education, flexicurity, regional competitiveness, energy security, and others. What is most needed – and this is the main thrust of our reflection, is a way to organize all this into a coherent narrative capable to reach and engage the European citizen within the modes and the manners of the open method of coordination.

At the moment of writing the present paper the Lisbon treaty faces a crisis linked to countries' debt and economic imbalances. It is unclear how the Union will emerge from such a crisis. The European Commission has just issued a first set of guidelines for 2020 (EC 2010b), partly endorsed by a Council of Ministers (March 2010). The present EU2020 guidelines identify a set of EU headline targets, including a new one on the reduction of the 'at risk of poverty', which reflects the increased alarm felt in the Union due to the increasing inequality which the crisis has aggravated (Wilkinson and Pickett 2009). Unfortunately while in the guidelines one can read:"[…] *the Europe 2020 and Stability and Growth Pact (SGP) reporting and evaluation will be done simultaneously to bring the means and the aims together, while keeping the instruments and procedures separate and* *maintaining the integrity of the SGP*", it is unclear what fate will befall to the dualism 'structural indicators'—'sustainability indicators'.

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