



FRONTPAGE INDICATORS FOR “EUROPE 2020” DRAFT

We suggest a set of three indicators to monitor the economic, environmental and social development in Europe. To distinguish them from a larger number of existing so-called headline indicators, we term these „big three“ indicators „frontpage indicators“.

Our suggestion to fill this approach with pragmatic content is to use GDP (Gross Domestic Product = income) per capita as the economic frontpage indicator, TMC (Total Material Consumption) per capita as the environmental frontpage indicator and QoL (Quality of Life) as the social frontpage indicator.

Those three frontpage indicators allow a rapid and easily understandable and broadly communicable monitoring of the overall development process in Europe in the context of the “Europe 2020” strategy. Data for the suggested indicators are already available or currently developed. .

The set of frontage indicators should support EU processes to monitor the success or failure of overarching policies ensuring smart, sustainable and inclusive growth. The planned “European Semester” process could provide a framework for such a monitoring also in line with the European “GDP and beyond” process.

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WHY FRONTPAGE INDICATORS?

It is widely accepted that GDP as the single most important indicator of economic performance has certain limits in demonstrating social progress. "There is a clear case for complementing GDP with statistics covering the other economic, social and environmental issues on which people's well-being critically depends"¹. The aim of initiatives such as the EC's "GDP and beyond", the Stiglitz Commission or the OECD's "Measuring Progress of Societies" is to make the case for developing environmental and social indicators that better measure prosperity and well-being. This is essential to support political decision processes with more comprehensive information. The problem is that developing indicators takes long and gathering data for these indicators even longer.

Our aim is to present a pragmatic approach how the environmental and social dimension can be measured with indicators and data that is already available or will be available in the near future. We suggest three frontpage indicators:

BIG 3 Frontpage Indicators

- Gross Domestic Product as a measure of economic performance
- Total Material Consumption as a measure of environmental performance
- Quality of Life as a measure of social performance

Frontpage indicators provide a quick and easily communicable evaluation of the overall development direction of the EU. Frontpage indicators inform about broad development trends, not about details. Highly aggregated indicators as the suggested set of "big three" also have disadvantages as they possibly illustrate unwanted negative effects in a positive manner. Examples are positive GDP effects after a natural disaster, which destroyed economic values, such as infrastructure; or a reduction of material consumption through a substitution of materials with large volume (e.g. energy from biomass) for materials with low volume, but higher environmental impacts (e.g. energy from uranium). Those special cases need to be monitored with additional indicators. In general, however, we believe that the three suggested frontline indicators provide directionally safe information: higher GDP in general implies higher economic performance; lower material consumption in general implies reduced negative impacts on the environment and higher QoL implies a higher social performance.



GROSS DOMESTIC PRODUCT (GDP) AS THE ECONOMIC FRONTPAGE INDICATOR

According to the United Nations System of National Accounts (SNA) GDP is the total output of economic goods and services produced within a country as measured in monetary terms. This basically means GDP is a measure of the size of an economy. It shows the economic performance of a country during a given period (usually a year) – nothing more and nothing less. For that specific

¹ European Commission (2009). GDP and beyond: Measuring progress in a changing world. Communication from the Commission to the Council and the European Parliament. COM(2009) 433 final, Brussels.

purpose, GDP is a good measure and also constantly being developed further to capture even better the economic performance. Most of the critique on GDP is based on its widespread use as a measure of social progress and prosperity. We do not use GDP in this broader meaning.



TOTAL MATERIAL CONSUMPTION (TMC) AS THE ENVIRONMENTAL FRONTPAGE INDICATOR

A number of recent environmental assessments illustrate that already at today's level of global consumption, the natural resource base our societies are built on is in severe danger of overexploitation and collapse. The most prominent environmental problems are linked to human use of materials and energy; most notably climate change, but also the degradation of global ecosystems, the shrinking of fresh water reserves and forests and the erosion of fertile land. We therefore suggest a comprehensive indicator on material consumption (including energy carriers) as the frontpage indicator for the environmental dimension.

The data situation regarding material consumption of countries is rapidly improving. Material flow-based indicators, such as Domestic Material Consumption (DMC) are already available for the EU-27, many OECD countries and a rapidly growing number of emerging and developing economies. More comprehensive indicators, such as Total Material Consumption (TMC), which include materials embodied in traded products (also called "ecological rucksacks") and "unused material extraction" (e.g. overburden from mining) are currently being developed by statistical offices and various research groups.



QUALITY OF LIFE AS THE SOCIAL FRONTPAGE INDICATOR

A person's quality of life is a combination of objective living conditions and subjective wellbeing. Objective conditions include, for instance, health, education, income, political voice or environmental conditions. Subjective wellbeing is about how people feel about their lives.

One example how to measure quality of life is to ask people about their life satisfaction. Life satisfaction data for European countries are, as an example, collected as part of Eurobarometer polls since 1973, usually twice a year.

Another example for measuring wellbeing is the "National Accounts of Wellbeing" framework, developed by the new economics foundation. This approach represents the most comprehensive international analysis of wellbeing. Overall, wellbeing is assessed using two indicators: personal wellbeing (positive feelings, absence of negative feelings, satisfying life, vitality, resilience and self-esteem, positive functioning) and social wellbeing (supportive relationships, trust and belonging). These two indicators taken together result in one indicator that allows for comparisons between countries, demographic groups and over time.

ADDITIONAL INDICATORS AND DIMENSIONS

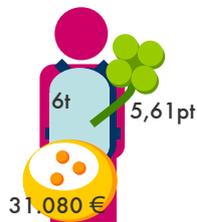
As mentioned above, the set of frontpage indicators needs to be complemented by a broader set of more specific indicators, which allow monitoring specific economic, environmental or social issues such as distribution, poverty, education, employment, biodiversity, etc. Examples for those indicators include the EU set on Sustainable Development Indicators or the set of indicators to monitor the Europe 2020 strategy and the related Flagship Initiatives.

It is also essential to set targets for all three indicators and to set them in relation to each other, for instance

- actual TMC/cap could be related to a material consumption target of 6 tonnes
- actual GDP/cap can be put in relation to the world's average GDP/cap of ...
- QoL is usually formulated as an index (value between 0 and 100% or between 0 and 10 points).

The three frontline indicators can also be used on different levels – to describe TMC, income and QoL of specific persons – or of companies. It is also possible to calculate total material use and value added (income created) provided by a product. For Quality of Life it has to be discussed whether using this indicator on the level of products and companies is feasible.

FACTS & FIGURES



While GDP figures are available by statistical offices around the world, data on the suggested environmental and social indicators is currently developed for European and other countries. To give an example, Austria has a GDP/cap of 31.080 €, an annual material consumption TMC/cap of around 45 tonnes and an indexed value of Quality of Life of 5,61 per annum.

This means a resource productivity of 1.4 €/ kg or a resource intensity of 710 g / €. The Well-being intensity of resource use would be 0.1 or the Material intensity of well-being: 10.9.