

THE  
ESS  
REPORT

2014



EUROPEAN  
STATISTICAL  
SYSTEM

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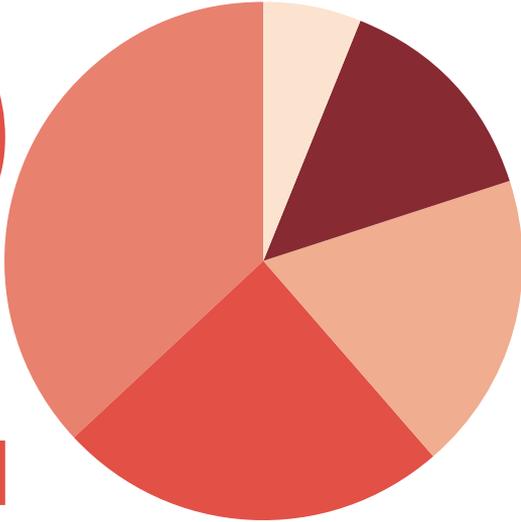
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# FOREWORD

It is safe to say that today's modern democratic societies need objective and trustworthy statistics to function properly and face the new global challenges around them.

The number of European statistics users is growing fast as is the spectrum of their interests. New popular statistical domains include globalisation, societal well-being and climate change. European policymakers, business leaders, researchers, journalists and members of the public alike, reaffirm their fresh interest in timely, reliable and comparable European statistics on a daily basis.

With almost endless amounts of data of varying quality easily accessible on the Internet, it is important to bear in mind the term 'European statistics'. It refers to the figures produced and released by official data producers, such as the national statistical authorities and Eurostat, which makes these statistics significantly different from other statistical sources.

The brand European Statistics represents a high quality of statistical information, based on jointly agreed principles, standards and methodologies. Thanks to the efforts of the European Statistical System (ESS), uniting the National Statistical Institutes (NSIs) of the EU Member States, the European Free Trade Association (EFTA) countries (Iceland, Liechtenstein, Norway and Switzerland) and Eurostat, European Statistics are also widely comparable. The results of



WALTER RADERMACHER  
Chief Statistician,  
Director-General, Eurostat

this close cooperation between the official statistical producers on our continent are a huge achievement, which translates into confidence on the part of European Statistics users.

In the latest satisfaction survey carried out by Eurostat in 2014, 95% of data users reaffirmed their trust in the quality of European Statistics. While this trust is invaluable to us as official data producers, it is also a good starting point for a short reflection about the true cost of quality statistical production.

One of the big advantages of the ESS statistics is the fact that the figures disseminated by its members are free of charge. This is certainly a significant step towards their fair and democratic accessibility and yet, it is worth pointing out that



STEFAN LUNDGREN  
Chairman of the  
ESS Partnership Group,  
Director-General,  
Statistics Sweden

high quality European Statistics do not come free. The existing infrastructure underpinning the production of official statistics needs to be modernised and adapted to the growing needs of information-driven societies.

To address this issue, the ESS is currently boosting the cooperation between its partners, optimising their IT tools to collect, process and disseminate data, and standardising the statistical concepts, classifications and methodologies.

In addition, there is a need to focus on a closer cooperation of statisticians with the research community and both the public and the private sector. This will require fresh investment in development and innovation activities, instrumental for the building of this new

statistical infrastructure of the future. However, its benefits will become obvious very quickly.

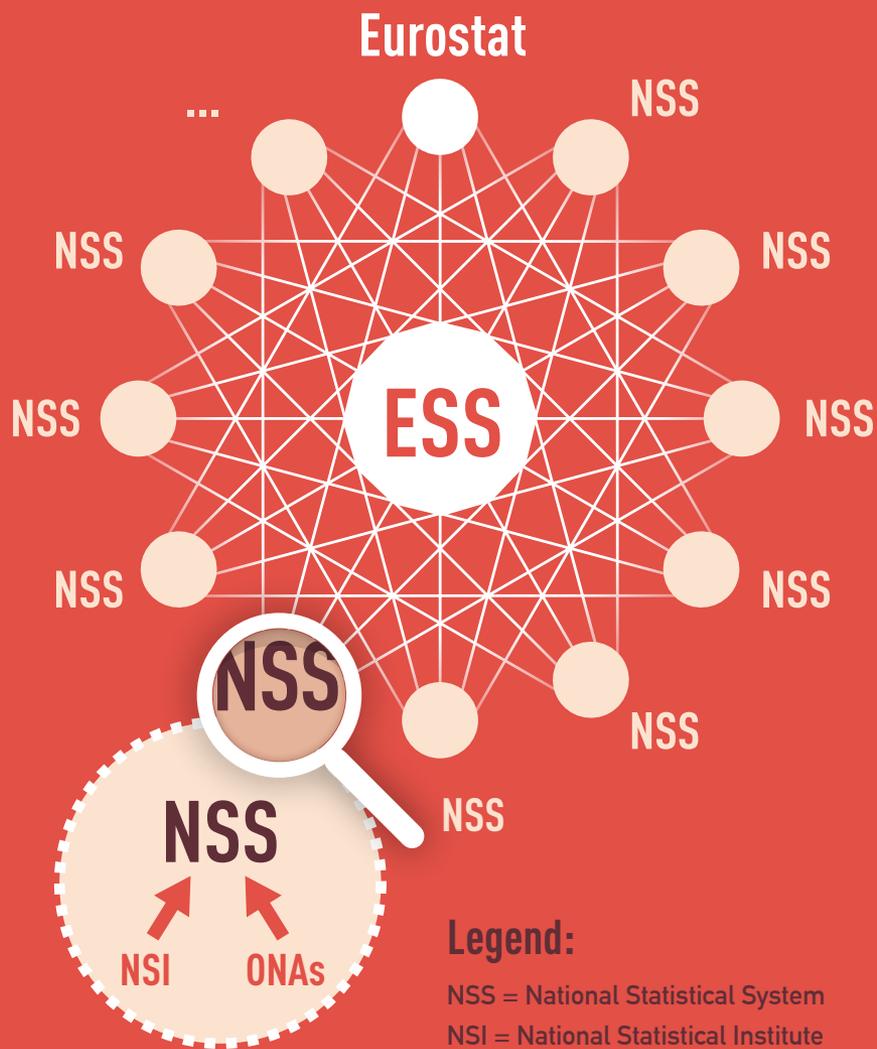
The ESS Report attempts to present a short and clear overview of the most important developments in European Statistics.

In this edition, you will be able to find out about the organisation and structure of the ESS and learn, in a separate article, about some of its key achievements as well as the challenges it was facing in 2014. We also feature an interview with Ms Ineke Stoop, the new Head of the important consultative body, the European Statistical Advisory Committee (ESAC).

The role of the rotating Presidency of the European Council is explained, while two countries, Greece and Italy, summarise in a joint interview the main results of their 2014 statistical Council Presidencies. In the following article we look at the new demands for statistics in the wake of the ongoing globalisation of the world economy. The final article deals with the concept of the Gross Domestic Product and reports on the launch of the new European System of Accounts (ESA 2010), the revised accounting framework for the systematic and detailed description of the EU economy. ESA 2010 has been in preparation for a number of years and its official launch took place in September 2014.

We hope that the ESS Report will bring the European Statistical System closer to you and reinforce your interest in European statistics. ■

# Organisation of statistical production in the ESS



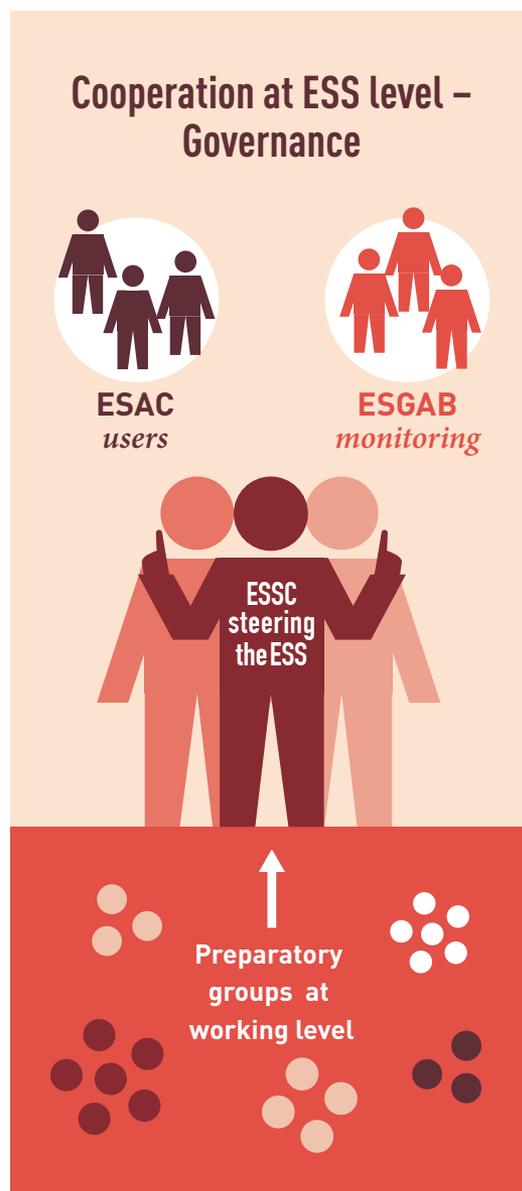
# WHAT IS THE EUROPEAN STATISTICAL SYSTEM?

Statistics have played a significant part in the construction of the European Union from the very beginning. In 1953, a statistical service of the European Coal and Steel Community was created. In 1958, when the European Community was founded, it became a Directorate-General of the European Commission.

The expansion of the European Union and the development of new community policies brought forth an increasing demand for high-quality, comparable European statistics. This meant that a closer cooperation between Eurostat and the National Statistical Institutes (NSIs) was necessary and thus, at the beginning of the 1990's, the foundations of the European Statistical System (ESS) were laid.

The ESS was constructed as a partnership between Eurostat, the National Statistical Institutes and Other National Authorities (ONAs), i.e. the institutions producing European statistics. Today, the ESS includes the 28 EU Member States and the countries that belong to the European Free Trade Association (EFTA): Iceland, Liechtenstein, Norway and Switzerland.

The mission of the ESS is to provide all the citizens of the European Union with independent, high-quality information on the economy and society on European, national and regional levels and make the information available to everyone for decision-making purposes, research and democratic debate. The Member States collect data and compile statistics, while Eurostat leads the way in the harmonisation of statistics in close cooperation with the national statistical authorities.



MEETING OF the Directors-General  
of the National Statistical Institutes  
and Eurostat, held in Riga in September 2014



## **How does the ESS function?**

Eurostat, together with the representatives from the relevant national statistical authorities, develops proposals for new or updated data collections and prepares new statistical methodologies. It can take years of intensive discussions and fine-tuning to ensure that all Member States' points of view are taken into account and the best solution for the whole European Statistical System is found.

When agreed, the proposals are submitted to the European Statistical System Committee (ESSC), which is the highest authority for the ESS. It is made up of the Heads of the Member States' NSIs and is chaired by the Director-General of Eurostat. Liechtenstein, Iceland and Norway, through the Agreement of the European Economic Area (EEA), and Switzerland through the Agreement between the EU and the Swiss Confederation on cooperation in the field of statistics, fully participate in the ESSC without the right to vote. Other participants are observers. The ESSC meets four times per year and its task is to provide professional guidance for developing, producing and disseminating European statistics and to discuss strategic issues for the development of the ESS.

## **Who supervises the functioning of the ESS?**

Both Eurostat and the national statistical authorities of the ESS follow the principles set out in the European Statistics Code of Practice (CoP). The Code of Practice contains a set of 15 principles that guide European statistics, including professional independence, impartiality and objectivity, limited burden on respondents, cost effectiveness, accessibility and clarity. The Code of Practice is an important tool to reinforce the quality of statistics. To support its implementation, the European Statistical Governance Advisory Board (ESGAB) was created in 2008. It is an independent

advisory body composed of experts possessing outstanding competence in the field of statistics. Its task is to provide an overview of the ESS in regard to the implementation of the Code of Practice. The mission and work of the Board were presented in the 2013 edition of the ESS Report.

## **What is the involvement of data users?**

Statisticians strive to produce statistics that satisfy the needs of their users. Regular dialogues with data users take place in the process of the preparation of statistics at national and European level. In 2008, the European Statistical Advisory Committee (ESAC) was created, which represents users and other stakeholders of European statistics, such as the scientific community, social partners and civil society as well as institutional users, such as the Confederation of European Business, Committee of the Regions and the European Parliament. The role of the Committee is to ensure that user requirements are taken into account in the development of the Statistical Programmes across the ESS. This edition of the ESS Report features an interview with the Head of ESAC, Ms Ineke Stoop, on its mission and work (see page 22).

## **International cooperation**

At the European level, the ESS coordinates its work with candidate countries, other Commission services and agencies, and cooperates with the European System of Central Banks (ESCB).

The ESS also collaborates with international organisations such as the Organisation for Economic Cooperation and Development (OECD), the United Nations, the International Monetary Fund and the World Bank. ■

# THE ESS IN THE YEAR 2014

European statistics produced by members of the European Statistical System play a major role in the definition, monitoring and assessment of all EU policies. In 2014, ESS members continued with the process of deepening their cooperation, placing particular stress on the development of joint statistical projects, which are of benefit to European data users. As it is impossible to mention all the statistical developments that took place last year, this article concentrates on the most important themes and statistical initiatives undertaken by ESS partners.

## **ESS Vision 2020**

In the past year, all ESS partners confirmed their commitment to jointly continue with the modernisation programme of the ESS to ensure that it remains competitive and its work relevant over the medium term. This programme, also called the “ESS Vision 2020”, foresees a much closer cooperation between the official European statistical organisations in the future, placing particular stress on the standardisation of the statistical processes and tools used across the ESS.

The Vision concentrates on a broad range of issues, including data exchanges between ESS partners, the quality of ESS statistics and their dissemination, better communication with data users and also wider use of new statistical data sources, such as Big Data. In 2014, members of the ESS worked hard on the selection of joint statistical projects which would reflect this increased commitment.

Last September, at the annual meeting of the Heads of the European National Statistical Institutes, which took place in Riga, Latvia, a decision was made to create a high-level expert group to oversee and coordinate the ESS Vision project. This so-called Vision Implementation Group (VIG), composed of a number of Member States and Eurostat, became operational on 1 January 2015. It is supported in its work by



the Vision Implementation Network, uniting senior ESS statistical experts.

Discussions between the ESS members on the scope, content and prioritisation of the joint statistical projects are continuing. They are shaping the future relationship between the ESS partners in the wake of increased competition from private data producers and the steadily growing demands for statistics from policymakers and citizens alike.

## **Second round of ESS peer reviews**

In 2014, the second round of peer reviews continued throughout the ESS. The reviews are assessments evaluating the extent to which ESS members comply with the European Statistics Code of Practice, which sets the standards for the development, production and dissemination of official European and is part of the governing Regulation on European statistics. A set of indicators of good practice for each of the principles contained in the Code of Practice provides a reference for measurement of the implementation of the Code.

Last year, 13 peer reviews took place across the ESS. The reviewers, who visited Finland, Slovenia, Latvia, Austria, Bulgaria, Lithuania, Sweden, Greece, Spain, Germany, France, Norway and Eurostat, analysed a large number of issues. They ranged from statistical legislation, confidentiality, data quality, and processing to the different ways of disseminating official statistics.

Peer review teams, made up of independent experts selected with the help of an external contractor, visited Member States. As endorsed by the ESSC, the peer review followed an audit-like approach, whereby the party under the review needed to provide suitable evidence to support all the answers to the self-assessment questionnaires.

The 2014 peer review of Eurostat was carried out by the members of the European Statistical Governance Advisory Board (ESGAB), which oversees the implementation of the Code of Practice by members of the ESS. Additionally, two ESS observers took part in the peer review of Eurostat. In turn, Eurostat's observers were involved in the reviews of other ESS partners.

Each ESS peer review resulted in a report which recommended improvements in the work of the institution, in line with the principles of the Code of Practice. The reviewed party prepared a list of improvement actions and agreed to put into practice an action plan to deal with the changes recommended by the reviewers.

The current round of peer reviews is scheduled to end in June 2015. Eurostat will then be charged with the preparation of a final Commission Report summing up the results for the European Parliament and the Council. The Report is scheduled to be published in the first quarter of 2016.

As past experience has shown, the peer reviews improve the functioning of the European Statistical System, bringing its members together and promoting the sharing of best practice across the ESS.

## **The Census Hub**

The 2011 Census Programme was a major project developed by the European Statistical System, involving a very close cooperation between all of its partners. It resulted in a wealth of high-quality, comparable data on the sizes and characteristics of the population and the housing supply in the EU. Unlike many other statistical exercises, the census provided data at detailed geographical levels, including individual municipalities.

To make those statistics more easily accessible to their users, in a pioneering move, Eurostat together with other ESS members, developed an innovative online application, called the Census Hub. The application, the development of which required finding a number of complex novel IT solutions, was successfully launched at the end of last year. It allows data users to access all census statistics stored in each EU Member State via a single entry point on the Eurostat website.

Thanks to the new application, with a couple of clicks it is now possible to gain instant access to data on persons, households, families and their housing for 123 189 local administrative units throughout Europe. One of the particularly useful features allows visitors to the website to build their own individual statistical tables



by combining figures for different European countries and regions.

The Census Hub has proved invaluable to both European and national policymakers, representatives of the private sector, researchers and all interested EU citizens. Its innovative approach to data dissemination combined with the ease of use has pointed the way towards future development of similar applications for other statistical areas.

### **European System of Accounts 2010 (ESA 2010)**

Last year also saw the successful introduction of the new EU accounting framework for the systematic and detailed description of an economy, called ESA 2010. Compared to its predecessor, ESA 1995, the new framework reflects developments in the European economies, the advances in international methodological research as well as the growing needs of European data users.

The introduction of ESA 2010 reflected a common practice in the field of National Accounts, which sees regular reviews of the general standards to warrant the relevance of the international accounting systems. These larger reviews take place every 15 to 20 years. In parallel, individual ESS members also regularly revise their National Accounts estimates as part of so-called “benchmark” revisions. These benchmark revisions, which occur approximately every five years, concern mainly the use of data from new statistical sources or from large surveys that are not conducted every year.

As the benchmark revisions are subject to the individual country’s national revision policies, the introduction of ESA 2010 was a good opportunity for all ESS partners to incorporate a number of statistical improvements in their data. Altogether, ESA 2010 introduced 44 methodological changes, giving rise to shifts in the GDP levels of most Member States. Those changes and their effects are explained in this magazine in more detail in a separate article (see page 35). ■

*Head of  
the Partnership  
Group, Stefan Lundgren,  
on the challenges the  
European Statistical  
System is currently  
facing*

Stefan Lundgren, Head of Statistics Sweden, has been heading the ESS Partnership Group since the beginning of last year. The Group, consisting of ten Heads and Deputy-Heads of Eurostat and National Statistical Offices, has an important advisory role within the ESS. By identifying issues of fundamental importance to all partners, it contributes to the development of strategic policies for the ESS. It also supports closer cooperation between the ESS partners and the development of common tools and policies across the European Statistical System. Mr Lundgren shared his views on the most important open issues and challenges for the ESS with 'The ESS Report'.

For the past couple of years it has been a priority for the ESS to find concrete answers to the many challenges it is currently facing. To briefly sum them up they include the increasing demands for European statistics from both EU policymakers and citizens, severe competition from a growing number of private data providers and the tough financial constraints most official European statistics producers have been facing for a number of years.

The good news is that members of the ESS have agreed on the general direction they want to take together. The resulting 'ESS Vision 2020' envisages a major boost to the cooperation among the ESS partners as well as the standardisation of statistical tools and procedures to save money and avoid the duplication of efforts. It is no secret that this is a difficult task and time will show the amount of progress we can make in the near future.



The ESS is also facing some very concrete statistical issues that need moving forward, such as the framework regulations on business statistics and social statistics. Without going into detail, once adopted both of them will greatly improve

European statistics and this in accordance with the needs expressed by our users.

However, the ongoing discussions between ESS members on the scope and the wording of the regulations mean that the process of reaching a compromise is going to take some more time.

In general, I think that the ESS governance, a situation where so many statistical offices have to jointly reach agreements on so many issues, has always been a challenge. In addition, the National Statistical Institutes face a double challenge of having to deliver their statistics for both internal, i.e. national data users, and external (ESS) audiences. This duality of responsibilities can result in delays in the negotiations between ESS members. However, the sometimes long and slow discussions are part of the EU culture and, in the end, we all know that there really is no alternative than to reach workable compromises.

In this complex process the Partnership Group often plays the important role of facilitator, whose task is to move things forward. In this role I think that certain recently established new ESS structures will help us make progress on some of the more problematic issues in an efficient way.

By the way, the issue of how to keep up the high quality of European statistics and produce more data with fewer resources is a fundamental problem. I believe that this issue requires further dialogue with European policymakers and statistics users so that it becomes clear that ensuring data quality necessitates more financial investment.

One way of achieving this task would be for statisticians to become more proactive in their dialogue with statistics users, to explain what our numbers say and what they do not say, thus promoting the added value of official statistics for the European Union. ■

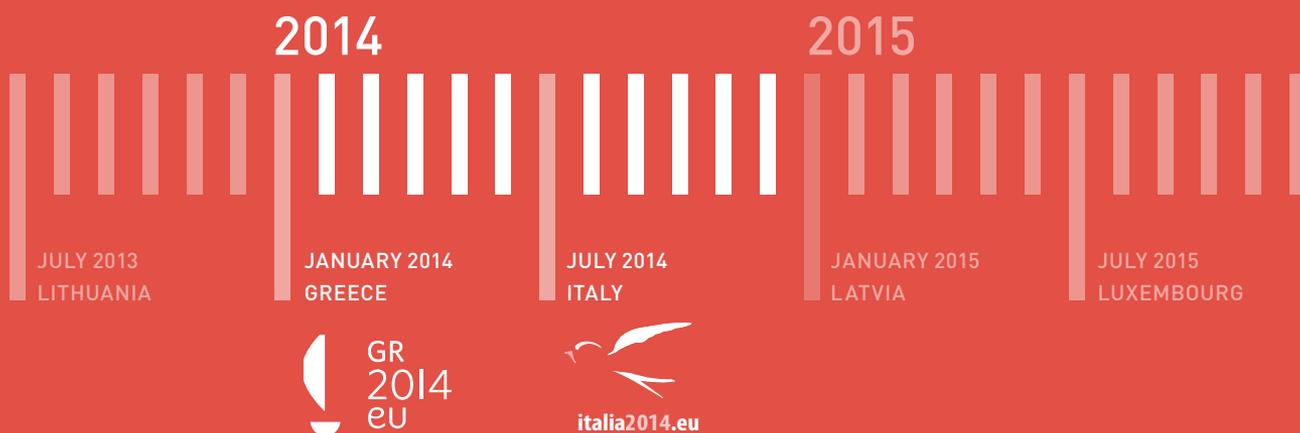
# ROLE OF THE PRESIDENCY OF THE COUNCIL

The role of the Presidency of the Council is to set up a detailed work plan for different European policy areas, including statistics, establish the agenda of Council meetings, chair these meetings, and also facilitate the dialogue both at the Council meetings and with other EU institutions. For instance, the latter task means that the Presidency is responsible for all communication between the Council and the Parliament on legislative initiatives.

The work of the Presidency of the Council is important for the European Statistical System, as its functioning is largely based on EU legislation, adopted jointly by the European Parliament and the Council, in the so-called co-decision procedure.

The Presidency function rotates among Member States on the basis of a schedule defined well in advance. Each country holds the Presidency for a period of six months. To improve coordination and to ensure continuity of the work of the Council, countries set up so-called "trio presidencies", meaning that the three countries, which ensure the three successive presidencies, establish a common basic programme with shared priorities.

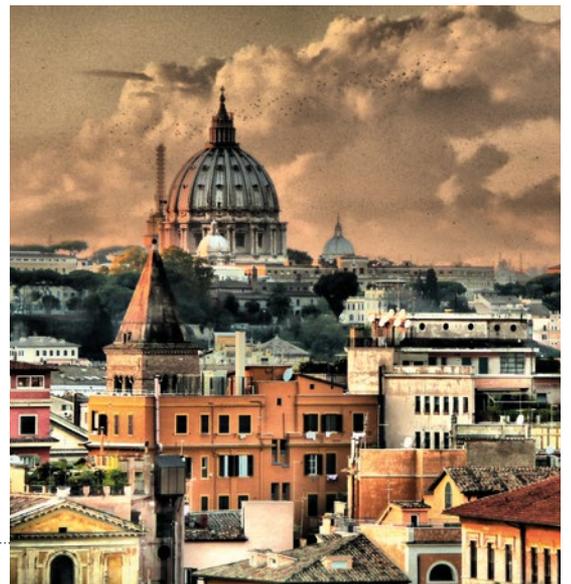
The country ensuring the Presidency has an important function and the opportunity to influence developments at Union level. This is illustrated, for instance, by an early access to information, a privileged position as the immediate interlocutor of the Commission services and the European Parliament, as well as the possibility to focus discussions on areas that are of high interest for the Presidency.



*Insights from Greece ...*



*... and Italy*



# 2014 COUNCIL PRESIDENCIES IN STATISTICS – GREECE AND ITALY

In the first six months of last year Greece held the Council Presidency, followed by Italy in the second half of 2014. This meant that the EU Council Working Party on Statistics was chaired, in turn, by high-level representatives of these countries. Andreas Georgiou, Head of the Hellenic Statistical Authority (ELSTAT) and Giorgio Alleva, Head of the Italian National Institute of Statistics (Istat), both spoke to The ESS Report about their work and the importance of the Presidency role.



ANDREAS GEORGIU,  
President of the Hellenic  
Statistical Authority, Greece

**How would you assess the significance of holding the Presidency as opposed to being a member of the Council Working Group?**

**Andreas Georgiou:** I think that there are important differences between holding a Presidency for six months and representing your country as a regular member.

As a regular member one presents firstly the national perspective, while at the same time being aware of and taking into account the needs of the ESS and the EU as a whole. This changes when you are holding the Presidency. In the seat of the Presidency you are expected to help arrive at solutions that will be acceptable to Member States at Council level as well as the European Parliament and the European Commission.

At the same time, it should be clear that holding the Presidency requires leadership so as to achieve an optimal outcome. This means that you must take the initiative and guide the work of the Council Working Party on Statistics so

that you end up preparing a good law, not just a compromise, not just trading this for that, but a very clear, unambiguous law consistent with statistical principles that will be the basis for a reliable and effective statistical production process in the Union. There should be no grey areas that could lead to problems during the implementation of the law.

I tried to prepare myself for the role by attending all the meetings organised by the previous Lithuanian Presidency, so that I would know what was coming. However, the reality - as always - proved to be something else.

**Giorgio Alleva:** I should start by saying that my personal experience when Italy took over the Presidency from Greece was that of the Presidency holder. I had not been a representative of Italy in the ESS before, as I had just become the President of Istat. On my very first day as the new President, I had to travel to Brussels to chair a meeting of the EU Council Working Party on Statistics. It was both the



GIORGIO ALLEVA,  
President of the National  
Institute of Statistics, Italy

first working party meeting under the Italian Presidency and also mine, as its Chair.

Looking back today, I think that the role of the Chair of the Presidency is substantially different from that of a regular member. Not only does it require a different type of commitment, it is also the fundamentally different relationship with other Member States that makes all the difference. On the one hand, it is expected of you that you get rid of your national identity and represent the interests of the whole ESS. On the other, it is also important to give a national 'imprint' to your Presidency term, making it distinctly your own.

### How do you see the role of the Presidency in the deliberations of the EU Council Working Party?

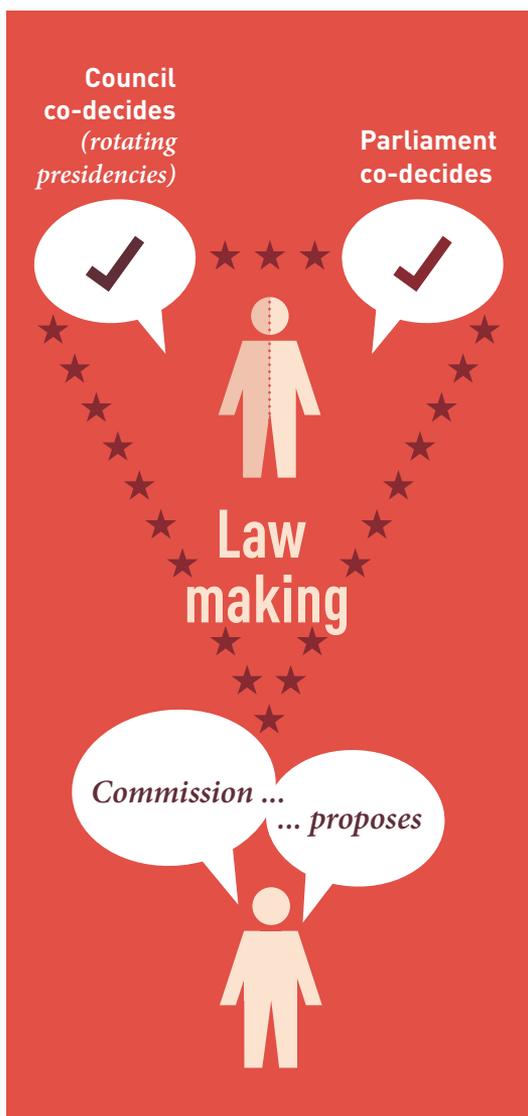
**Andreas Georgiou:** The Presidency holder plays an absolutely crucial role in the deliberations. Crafting legislation with a view to reaching

compromises that are satisfactory for all involved parties is a very important part of the job. Those compromises that are reflected in the texts prepared by the Presidency need to be acceptable not only to all Member States, but also to the European Parliament and the Commission. In the end everyone needs to have a feeling that they got a fair deal.

However, for me, what is even more important is that the resulting statistical legislation must be consistent with statistical principles and, at the same time, be very clear so as to allow for appropriate action on the basis of this legislation. As I have already mentioned, this requires leadership on the part of the Presidency holder. One must take the initiative and guide the work of the Council Working Party on Statistics so that one ends up preparing, not just any compromise, but a good law so that reliable, high quality European statistics are produced everywhere in the Union, without the impediments and risks implied by grey areas or lacunae in the law.

Luckily, an excellent team of Greek statistics professionals helped me greatly in those deliberations and law-drafting exercises and I would like to express my deep gratitude for their efforts.

**Giorgio Alleva:** I would like to add that the Presidency is a guarantor of transparency in the process of negotiations and decision-making involving all members of the ESS, independent of their national positions. It is hard work to find consensus, requiring many face-to-face meetings, written procedures and other exchanges with Member States and the European institutions. In our work, we always tried to take into consideration the various arguments



from the ESS members. This meant that we always took into account opinions coming from a minority and considered the views of those members who opposed certain proposals. I should add that the final decision was always taken by majority rule.

The most demanding task was undoubtedly the management of the so-called trilogues, the informal meetings attended by the representatives of the European Parliament, the Council and the Commission. Those meetings

usually presented the best opportunity to achieve concrete results and it was crucial to properly represent the majority view of the Council Working Party so that satisfactory compromises could be reached.

I would also like to thank the very competent team of my colleagues from Istat's Secretariat for International Relations for their invaluable professional support during the Italian Presidency.

### How do you assess the achievements of your Presidencies in statistics in 2014?

**Andreas Georgiou:** I must explain that the term of the European Parliament was coming to an end in March 2014, so when we took over the Presidency in January, we really only had about three months instead of six months to negotiate the issues with the parliamentarians.

In this context we opted for a front-loaded approach vis-à-vis absolute priority projects — the amendment of Regulation 223 on European Statistics and also the Regulation concerning the Macroeconomic Imbalances Procedure (MIP). Regulation 223, adopted in 2009, established a legal framework for the development, production and dissemination of European statistics. The proposed amendment focused on the strengthening of the ESS governance by reinforcing the principle of professional independence in the production of European statistics and clarifying the coordinating role of National Statistical Institutes in the national statistical systems. The first hearing on the amendment proposals was held in 2012 by the Danish Presidency, followed by the intensive work of the Presidencies of Cyprus, Ireland and Lithuania. When our turn came in 2014, we carefully reviewed the proposals put forward by the European Parliament and analysed and adapted them. We also did the same with a number of issues that were of concern to Member States and the Commission. The result was a significant redrafting and recasting of the legislative text, while retaining the ambitious

spirit and intent of the Commission proposal. The resulting legal text served as the basis for the achievement, finally, of agreement at the level of Coreper during the Greek presidency, which in turn led to the successful trilogues held by the Italian Presidency in the second half of the year.

The Macroeconomic Imbalances Procedure is part of the EU surveillance framework aiming at identifying potential macroeconomic risks, preventing the emergence of harmful imbalances and correcting existing ones. In 2011, the European Parliament and the Council reached an agreement on a number of legislative proposals in this area. However, the resulting legislation did not specifically address the quality assurance of the statistics to be used in compiling the indicators of the surveillance framework. Despite the efforts of the previous Presidency relatively slow progress was achieved, reaching a point of an impasse where many Member States were refusing to discuss the proposed legislation.

To address particular concerns of the Member States and to help move things forward, we went back and redrafted the Regulation to a substantial degree — this was the Leitmotif of our Presidency — to address the concerns of Member States. This revived the discussion of the MIP dossier, which I consider a big achievement of our Presidency. Apart from reopening the door to discussion, we made sure to redraft the Regulation in a way that crucial issues would be clearly and consistently presented, with a view to ending up with a good law, which was a fundamental priority. We were not aiming to finish the MIP at any cost. I should note that I consider one of our achievements to be that even the issues we left outstanding at the end of our Presidency were cast in a clear manner so that, with some further reflection and dialogue, a solution on the right basis could be found soon.

Additionally, four legislative proposals amending legislative acts were concluded and the relevant legislative acts (Regulations) were published in the Official Journal of the European Union, during our Presidency. These concern European

Environmental Economic Accounts, the Labour Force Survey, statistics relating to the trade of goods between Member States (Intrastat) and also, the Farm Structure Survey. All of those dossiers were started during previous Presidencies. Under the Greek Presidency we had trilogues and technical meetings with the European Parliament's negotiating teams and, I am glad to say that we managed to come to agreement and to complete these important pieces of legislative work.

We also opened three important new negotiations, those on the trade of goods with non-EU member countries (Extrastat), on rail transport and on inland waterways statistics. They were all followed up by our Italian colleagues.

**Giorgio Alleva:** When Italy took over the Presidency, it was also at a peculiar time. A complete turnover of the main European institutions had just taken place, including the European Parliament and the chairs of the Parliamentary committees, and the European Commission. Just like our Greek colleagues, we had less time than expected at our disposal. Before we were able to start negotiations, we needed to wait for the nominations of the new rapporteurs for the statistical dossiers concerned.

Yet, right from the start, our choice was to be output-oriented. We tried to advance all our legislative dossiers and ensure maximum transparency in our work by regularly sharing information on the ongoing negotiations with all the parties involved in the decision-making process.

I am delighted to say that after a number of trilogue meetings we made significant progress with regard to all the ongoing projects. As a result, the amended Regulation 223, the Extrastat, the rail transport and inland waterways dossiers were all transmitted to the Coreper committee, which prepares the work for the European Council.

We also continued with the discussion regarding the Regulation on the Macroeconomic

Imbalances Procedure, managing to secure a common position of the EU Council Working Party on a number of technical points.

If I could briefly come back to the amendment of the Regulation 223, which for me was, without any doubt, the most important part of our work. As mentioned before, this dossier had been tackled by five Presidencies, starting in June 2012. Because of its strategic role for the future of the ESS, the Italian Presidency saw it as an absolute priority for the European Statistical System and for official statistics.

We concentrated on restarting the dialogue with the new European Parliament, the Parliament's new President of the Committee on Economic and Monetary Affairs as well as the new Rapporteur. Our approach was to advance the dossier by moving from the problematic issues encountered by previous Presidencies and stress the value added of the Regulation. For me, the agreement reached with the European Parliament and its endorsement from the Coreper committee constituted a huge success for the Italian Presidency. It was also an important achievement for all individual ESS members and the European Statistical System as a whole, triggering the revisions of the national legal frameworks across the ESS.

### What issues have been left outstanding for 2015?

**Giorgio Alleva:** Out of all the ongoing issues, I believe that the continuation of the discussions on the Macroeconomic Imbalances Procedure deserves the highest priority.

The MIP is part of the EU's so-called "six-pack" legislation aiming at reinforcing the monitoring and surveillance of macroeconomic policies in the EU and the euro area. The ESS would like to model its procedures on those already in use for the Excessive Deficit Procedure. Currently, the ESS is working hard on a proposal for a Regulation on the provision and quality of statistics for the MIP.

### Finally, what were the main difficulties that you encountered last year?

**Andreas Georgiou:** I already mentioned the logistical problems connected with the end of term of the European Parliament.

Another challenge concerned the appropriate incorporation of the so-called delegated acts and implementing acts into the provisions of statistical legislation. I should note that these two types of legal acts, which can be used to implement European legislation, were introduced in the Lisbon Treaty back in 2009 and were created with a view to improving the efficiency of European decision-making and the implementation of these decisions. However, experience has shown, at least in the area of statistics, that the allocation of decisions between these two types of acts may also have detrimental effects on the speed and efficiency of European decision making as the conditions of use and the consequences of these acts are not necessarily understood in the same way by all parties involved.

So we decided, as was our approach in many other cases, to bring the discussion into the open in order to try to arrive at a reasoned common ground as to when it is appropriate to use delegated acts and when implementing acts in the area of statistics. In the end, we proposed a clearer and more systematic distinction between which issues should become delegated and which implementing acts, based on what is considered the appropriate role of policy makers in the production of statistics. In brief, policy makers (such as the European Parliament) are recognised as legitimately determining what European statistics should be produced, while statisticians (the ESS) are recognised as determining how these statistics are produced. In this frame, in legislative proposals prepared at the Council Working Party on Statistics, delegated acts could be used for the "what", while implementing acts would be reserved for the "how". This is also the rationale we used in our negotiations in trilogues with the European

Parliament. On that basis we made progress in often-stalled negotiations with the European Parliament, while sticking at the same time to statistical “first principles”.

Other challenging issues concerned the production of European statistics by National Central Banks, the applicable legal framework, and the relationship of national Central Banks as producers of European statistics with the NSIs, which are supposed to coordinate production of European statistics within Member States, and with Eurostat. These issues preoccupied our work on the amendment of Regulation 223 and, even more so, our work on the MIP Regulation. There were strong views expressed by all stakeholders, including the influential European Central Bank and European System of Central Banks.

Another challenging issue concerned the legal provisions of the amendment of Regulation 223 aimed at safeguarding the professional independence of the Head of Eurostat with the lengthy discussions focusing on the rules for the appointment and dismissal of the Head of Eurostat and the symmetry with the rules provided for in the case of Heads of NSIs. In this context there was intense deliberation on, among other things, the administrative and the statistical perspectives.

**Giorgio Alleva:** From an organisational point of view, we received full support from the Council’s Secretariat and its legislative service. Also, I think that we showed a very constructive attitude towards the Council.

Of course, we had to deal with some very diverging views from individual Member States, often reflecting their internal differences and relations with other national authorities, within or outside our System. At times, I witnessed changes in members’ positions between one meeting and another, which was a positive sign, a clear result of our discussions and a willingness to compromise with other ESS members.

I also noticed frequent difficulties in the dialogue with our partners from outside the ESS. Sometimes our colleagues in the Parliament seemed to lack awareness of the role and organisation of the ESS and the NSIs, and of the complexity of the statistical production processes. The final satisfactory results in our negotiations were often reached only after we managed to explain to our partners the importance of the work done by the ESS.

For me, this shows that we urgently need to strengthen the communication of the role and work of the ESS. It should be done in a clear and non-technical manner that would demonstrate to the Parliament and other policymakers the usefulness of our products and services and explain our needs as data producers for the European Union. I see that the concepts of statistical quality and the complexity and time scale needed for the implementation of efficient statistical production processes in the ESS need to be better explained. ■

# INTERVIEW WITH **INEKE STOOP**, CHAIR OF ESAC

Ineke Stoop is a senior scientist at The Netherlands Institute for Social Research/SCP. She is also Deputy Director of the European Social Survey, and has been chair of ESAC since 2014.



INEKE STOOP,  
Chair of ESAC,  
The Netherlands

## What is ESAC?

The European Statistical Advisory Committee (ESAC) is an independent, consultative body, whose 24 members represent users, producers and other parties involved in European statistics. This Committee was mandated by a European Parliament and Council Decision in 2008 to ensure that user requirements and the costs borne by information providers and producers are taken into account when deciding on the strategic objectives and priorities of statistics in the European Union.

Each of the members is selected for a five-year term, renewable once. Their expertise ranges from social, business, research and methodological issues to the knowledge of European organisations, such as the European Parliament, European Central Bank, Confederation of European Business or European Data Protection Supervisor. The Director-General of Eurostat is also an *ex-officio* member of ESAC. I would like to stress that all ESAC members are volunteers. This means that they work for ESAC in addition to their official jobs and are not paid extra for this work.

## What are the main activities of ESAC?

During the preparation of the EU statistical programmes, ESAC is consulted to give its opinions taking account of user requirements and producers' concerns in the production and dissemination of statistics.

As well as the legal obligation to provide an opinion on the statistical work programmes, ESAC may choose to focus on other topics. For example, in 2014 we took a particular interest in the advancement of the European Masters of Statistics Programme which is a brand new accreditation programme open to European universities. Eurostat has really managed to push this forward and I am happy that ESAC is

now represented on the Board. It is important to be involved in this sort of activity too as ESAC can really provide opinions and advice from another angle, from a user and outside producer point of view, and so help enhance development of statistics or strategies. We know it is difficult to take all aspects of a product into consideration when you are charged with developing and negotiating on a daily basis, that's where ESAC can really add value, by giving some independent, perhaps out-of-the-box ideas. But we don't only concern ourselves with purely statistical domains. Recently, we drafted an opinion on how to reinforce the EU social science research infrastructure. We also are involved in communication and dissemination.

For instance we have been pleased with Eurostat's new-look website which really does facilitate the user experience. Although it is fair to say that we did have a few suggestions on what could still be improved!

Additionally, we occasionally organise seminars of interest to the statistical community. At the end of 2014, jointly with the Italian Presidency, we held a conference, which gathered together a wide range of stakeholders who discussed "hot" issues in statistics such as the modernisation of statistical methods, communication and Big Data.

**As the new Chair of ESAC, could you briefly explain the challenges and opportunities for the coming years?**

As I have said, ESAC represents the users and producers of European statistics. This is a vast and divergent group, and it is a challenge to represent all of their interests, Nevertheless, ESAC has to advise Eurostat taking into account:

- the need for data on new topics and new types of data (Big Data) in times of serious financial constraints

- the need for timely and trustworthy financial and economic statistics, and the increased demand for equally timely and trustworthy social and environmental indicators
- the need for consistency across statistics and for long time series
- the need for confidentiality and data protection, yet also the need to make statistical data accessible and available for research and policy making
- the need for statistics that are comparable across countries, yet also the need to adapt statistics to national situations.

One opportunity I can see in the coming years is that Eurostat, the NSIs and data users are increasingly aware of these varying needs. There is a shared willingness to move forward. We in ESAC can help European statistics by emphasising that reliable and complete figures need adequate funding.

**Could you briefly describe the relations between ESAC and the ESS?**

I would say that the cooperation between ESAC and the ESS is good. Despite this, the relationship could still be called distant. For example, it is difficult for ESAC to comment on priority-setting, as we do not have the full information on European and national resources. For this reason, it is hard to judge the impact of proposals and plans particularly as European and national statistics do not always share the same priorities.

However, given the importance of European and national statistics, given the great group of people who are willing to invest their time and expertise as ESAC members, and given the solid support ESAC receives from Eurostat, I trust that we can achieve a great deal in the coming years. ■



**1** Hugues Bayet  
European Parliament



**2** Alba Bosch Moliné  
European  
Data Protection  
Supervisor



**3** Michael Gold  
Business Europe



**4** Ulrike Oschischnig  
European Association of  
Craft, Small and  
Medium-sized Enterprises



**5** Michael Pace Ross  
European Statistical  
System Committee



**6** Agnieszka Piasna  
European Trade  
Union Confederation



**7** Walter Radermacher  
Eurostat



**8** Aurel Schubert  
European Central Bank



**9** Michael Smyth  
European Economic  
and Social Committee



**10** Maurizio Vichi  
Council of the  
European Union



**11** Gabriella Vukovich  
European  
Statistical System  
Committee



**12** Thomas Wobben  
Committee  
of the Regions



**A** Axel Börsch-Supan  
Expert: Demography,  
Research



**B** Tasos C. Christofides  
Expert: Social,  
Research, Methodology,  
Statistical Council



**C** Denis Durand  
Expert: Social,  
Business



**D** Anuška Ferligoj  
Expert: Social



**E** Irena Kotowska  
Expert: Social



**F** Frances Ruane  
Expert: Research



**G** Lena Sommestad  
Expert: Environment,  
Gender



**H** Ineke Stoop  
Expert: Social,  
Methodology



**I** Emilia Titan  
Expert: Economic,  
Social, Labour market



**J** Maria João  
Valente Rosa  
Expert: Social



**K** Ildefonso  
Villan Criado  
Expert: Social



 Andrea Scheller  
Observer  
EFTA



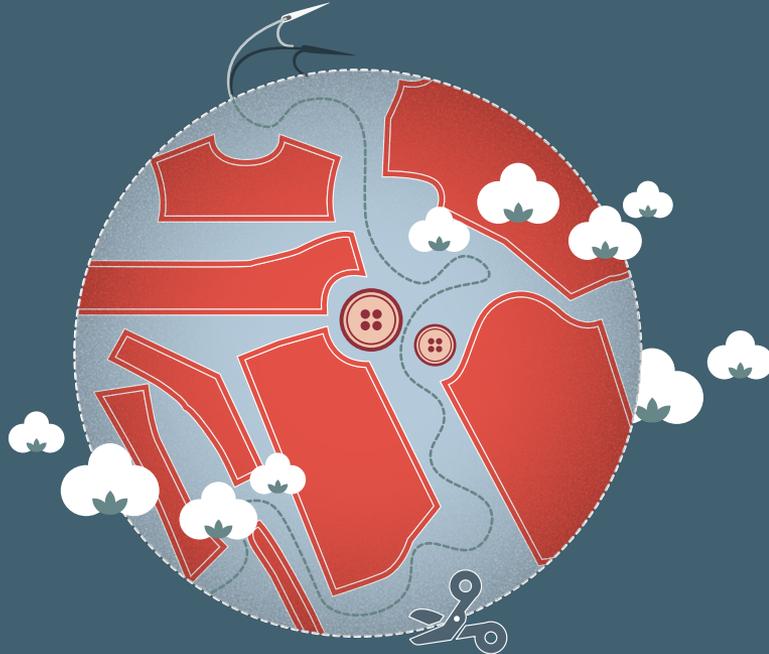
*“The shirt I am wearing...”*



The cotton could have been grown in **Senegal**.  
It might have been ginned in **Egypt**, spun in **Pakistan**,  
woven in **China**, the fabric then cut in **India**,  
and sent to **Nepal** for stitching.

The buttons might have been made in **Malaysia**.  
The thread could have come from the **Philippines**.

The shirt was then finished in **Hong Kong**,  
put in packaging that originated in **Thailand**,  
marketed in **Singapore**, and sold here in the  
**United Kingdom.**”



**Neil Kearney**, former General Secretary of the International Textile,  
Garment and Leather Workers' Federation (ITGLWF)

# GLOBALISATION

**T**oday's world is more interconnected than ever before. Due to mobility and communication, the farthest corners of the planet can be reached within one day and people all over the world communicate instantly. This means that various cultures may influence each other in a number of ways, so it's not unusual when travelling from one place to another to find the same restaurants, stores or hotels as in one's home country. This trend towards greater integration and interdependence between individual countries and multi-national regions is called globalisation.

Globalisation is not a new phenomenon. It started in the late 19<sup>th</sup> century, when technological advances improved communication and transport, among other things. Globalisation is often primarily related to economic aspects, such as international trade, foreign direct investment and international capital flows although it may also include a broader range of areas and activities such as culture, media, and technology.

The importance of globalisation is also acknowledged at EU level, through the Europe 2020 strategy. This strategy, which was adopted by the European Council in June 2010, aims at establishing a smart, sustainable and inclusive economy with high levels of employment, productivity and social cohesion. It has seven flagship initiatives, promoting, among others, a digital agenda for Europe, a European platform against poverty and a resource efficient Europe. Another flagship initiative is to have an "industrial policy for the globalisation era", which intends to support the development of a strong and sustainable industrial base so as to be able to compete in the global market. In order to succeed in this new interacting world economy, enterprises have to be able to access international markets as well as make use of global value chains (GVCs).

## Global value chains



**From Global Value Chains and Economic Globalization - Towards a New Measurement Framework; Timothy J. Sturgeon, Industrial Performance Center, Massachusetts Institute of Technology**

Globalisation stimulates companies to restructure their operations internationally by outsourcing and/or off-shoring their activities.

International production, trade and investments are increasingly organised within GVCs. A value chain includes those activities that a company performs in order to create a product and deliver it to its consumers, such as design, production, distribution and support to the final consumer. These activities which each add value to the final product or service may now transcend borders, even continents, being truly global in nature.

Understanding the role of the GVC is very useful when trying to analyse the characteristics of the current world economy where the different stages of the production process may be located across different countries. Efforts to measure the flows of goods and services within these global production

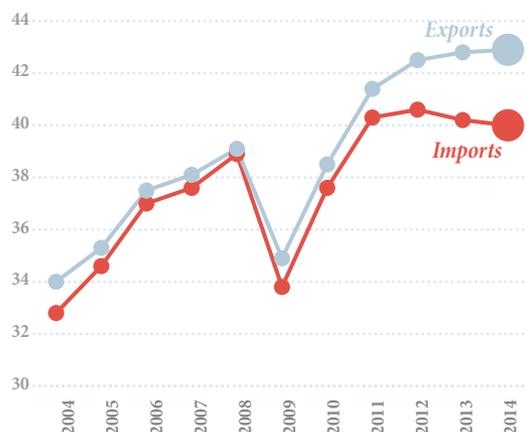
chains and to calculate the value added to the end-product are high on the list of challenges for all statistical offices.

### Monitoring globalisation

The globalisation of the world economy therefore creates new demands for statistics which catch the world-wide, cross-border nature of production. Reliable indicators on globalisation and its impact on the EU economy are essential for policy-makers and business.

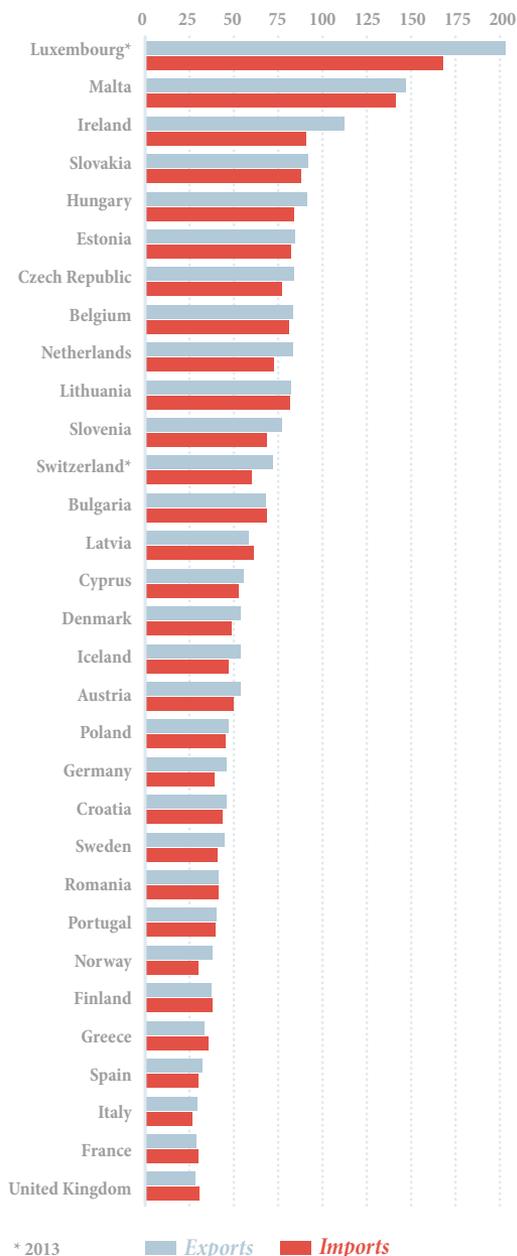
For this reason, Eurostat, in cooperation with the ESS Members, put together a set of existing indicators, identifying the following aspects of globalisation: international trade (exports and imports), foreign direct investment, as well as characteristics of foreign-controlled enterprises covering employment, research and development as well as the value added. These indicators provide an overview of the main trends in globalisation and allow for comparisons across Member States.

#### Exports and Imports of goods and services in % of GDP



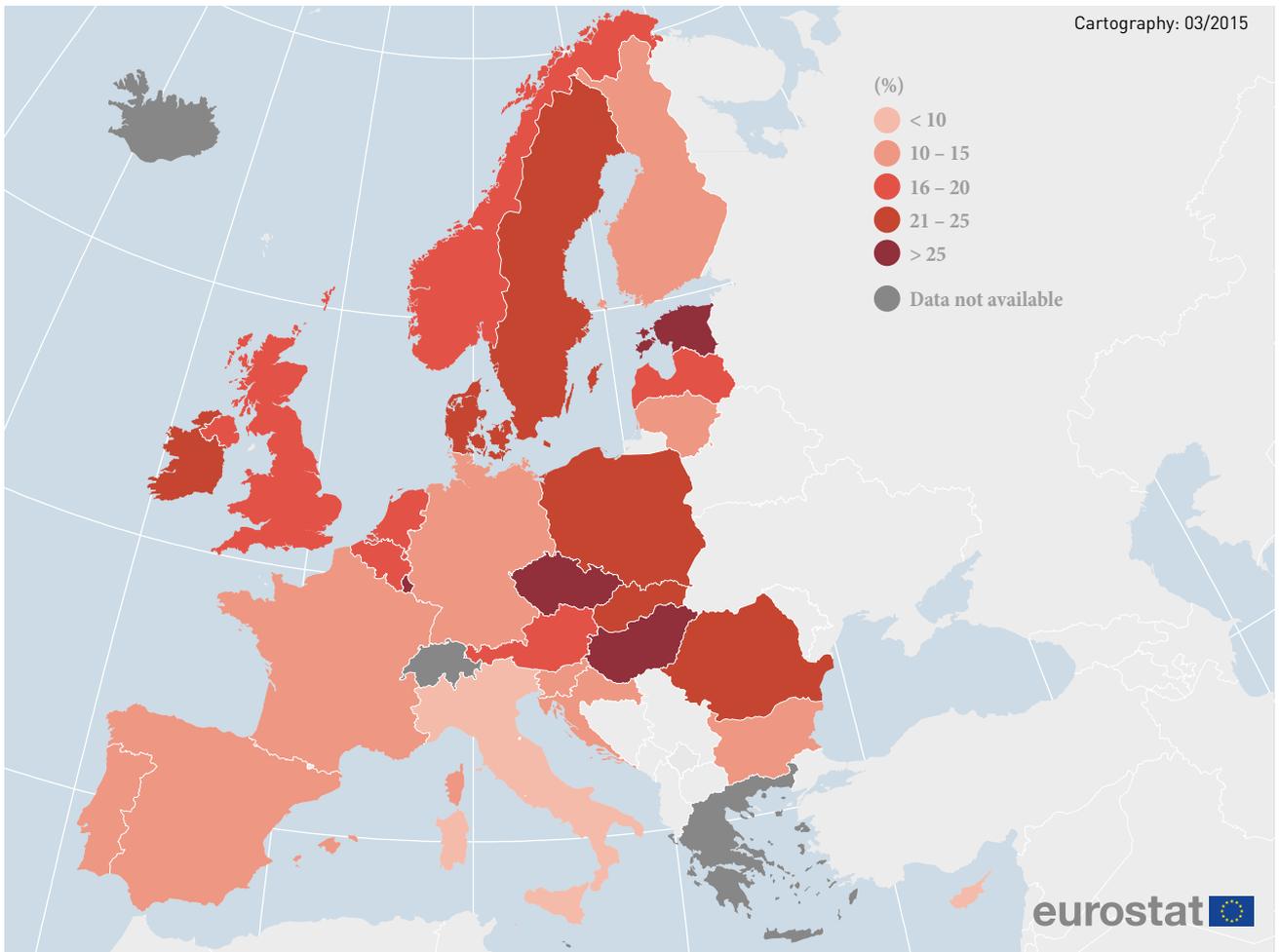
The data above does not reveal considerable differences between the Member States, which the following graph demonstrates.

#### Exports and imports of goods and services in % of GDP, 2014



The data on the next page indicates how much of domestic employment is absorbed by foreign-controlled enterprises. It is interesting to note that in 10 EU Member States over 20% of the workforce is employed by enterprises that are foreign-controlled.

**Employment in foreign-controlled enterprises  
as a share of total domestic employment in 2011**



Administrative boundaries: © EuroGeographics © UN-FAO © Turkstat

The work done on monitoring globalisation within the ESS was complemented last year by the ESSC adopting the Riga Memorandum which outlines the basic principles for the work on global business statistics. One of the main needs acknowledged through this Memorandum was that, given the pace of change, business statistics would have to be reviewed on a regular basis in order to make sure they were in line with the evolution of business organisation and its international structure and that the results were comparative across the board. The Memorandum further gives weight to the need to have enhanced cross-country collaboration as

well as a better understanding of the structure of enterprise groups.

**Multinational enterprises**

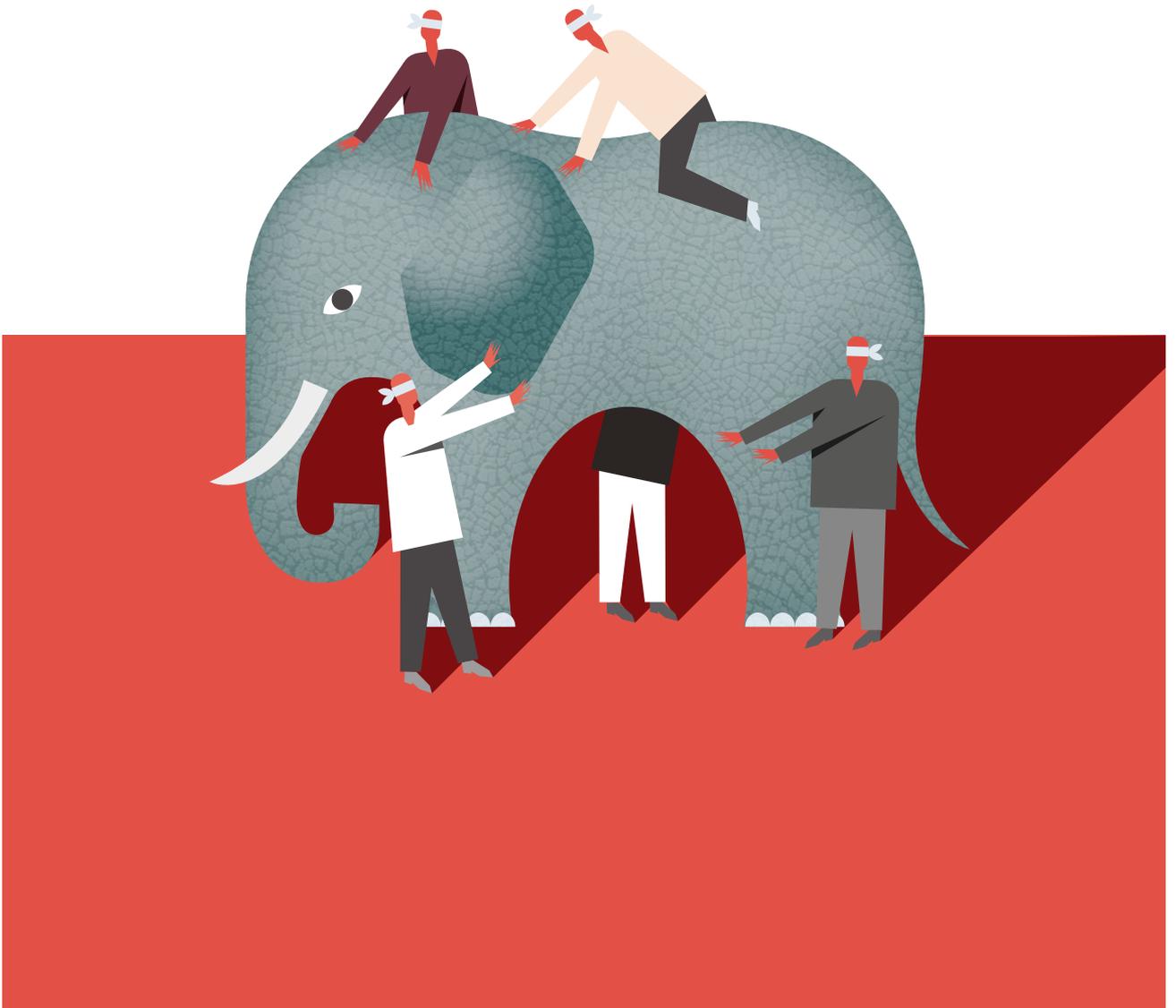
Nowadays the most important actors in the worldwide economic picture are multinational enterprise groups. They organise themselves regardless of national borders and are free to produce in countries where costs are lower or where there are other economic competitive advantages. They are also able to shift profits from one country to another in order to optimise

their tax burden. All these behaviours constitute challenges for statistics, as traditionally statistics were linked to national borders, measuring national phenomena.

There is an old Indian fable, telling the story of a group of blind men, confronted for the first time with an elephant, and each touching a different part. They try to agree on what the animal looks like, and, of course, they fail to reach a conclusion, as their own perception tells them different things and they cannot see the 'whole picture'. Similarly to this, multinational enterprise groups cannot be observed based on a purely national view, because they carry out different activities in different territories.

To help better compile quality statistics on global business activities, the ESS built the so-called EuroGroups Register (EGR). This is a statistical business register of multinational enterprise groups that have at least one enterprise in the territory of the EU. The EGR contains information that identifies each enterprise in terms of ownership, activity, persons employed as well as structure and turnover.

This, together with national business registers that are increasingly comparable across countries, and a number of other statistical initiatives, can help provide a more informed view of the impact of multinational enterprises on the economy. ■



## View of ESS Members

### THE NETHERLANDS

**“Globalisation” is currently a bit of a buzz word. Many people know roughly what it means but how can we tell if a business is globalised or not and what does it mean for its workers?**

The measurement and monitoring of globalisation is one of the basic challenges for any statistical office and is tremendously important in order to gauge globalisation’s effects on the domestic economy in terms of jobs and productivity. In 2007 Statistics Netherlands started a globalisation research programme and has been trying to analyse how best to get to grips with understanding all the factors that make up globalised business, to better understand how it can affect our economy, labour market and future. I am now very proud to say that all the innovative work done by the research team throughout the years has resulted in new statistics on globalisation in the Netherlands. This has contributed significantly to the transformation of our approach to statistics from the former “stove-pipe” to an integrated approach.

We all know that geographical and physical distances are becoming less of a hindrance because of reduced transportation costs and advancement in IT and communication. This means that we cannot exist in isolation. Dutch competitiveness and attractiveness is



*BERT KROEASE,  
Deputy Director  
General of Central  
Bureau of Statistics,  
The Netherlands*

increasingly more dependent on those around us or those we deal with rather than being a purely national issue.

#### **So what has this meant for you?**

In the past, as a statistical office, we looked at a firm or company to see what it produced and where it sold the product. These were the statistics we gathered. Now international trade in goods and services is not only seen as a business function in itself, but as a measure of the openness and integration of a whole economy with the rest of the world. And it is not the government but the enterprises themselves that drive this trade of selling or purchasing internationally in order to expand their market or reduce their costs. We had to think of a way of how to measure the international orientation of an enterprise (or enterprise group). So we started by looking at whether or not the enterprise is actively importing or exporting goods, and whether it was under national or foreign ownership.

We also developed a new database that linked all the employees working in enterprises with

the information on persons and jobs from the existing social database, so we could really match people with where they worked. The results were quite interesting. For example, we saw that people remained longer at the company if it were foreign-owned. This could be because these companies pay more, have better options for training and/or give more opportunities for job mobility. Another thing we saw was that foreign-controlled enterprises in the Netherlands have more high-paid employees in their workforce. Perhaps this is because they employ people with a higher level of education. But we have been able to find out generally, that if the firm is foreign-controlled, active in international investments and trade, and has high labour productivity this all seems to have a positive effect on wages.

Another thing we tracked was where the goods for export and import to the Netherlands came from. In traditional statistics, the Netherlands always appears to be a major importer and exporter due to the large port of Rotterdam and the amount of freight coming through Schiphol international airport. However, the goods for export can originate from national regions, other countries or even other continents. Equally, imported goods are sometimes only transformed in the Netherlands and then re-exported elsewhere. It was really difficult to trace a good or service from its beginnings through the different phases of conception, production, assembly, packaging and sales to discover how its value, or price, rose on the way and so calculate the so-called value added to the good.

**This sounds rather complicated. How did you manage?**

To help make sense of all of this, Eurostat launched a survey called the Global Value Chain where we could measure just how much value was being added at each point of production of a good or service. Many of these goods are, for example, imported to one company for transformation, then sold on to another, or transferred within the company, for further modification. This all adds to the end-value of the product. Using this survey we could also see where products were kept within the enterprise and where they were out-sourced to others outside the enterprise or enterprise group. This survey confirmed that the Netherlands is not

just an exporter or importer of nationally produced goods or products for own-consumption but is very integrated into the global market with a large movement of goods through our country which were given added value, through modification by us, then passed on for further transformation. The fact that we deal so much with imports and exports while adding value, shows that the Netherlands has a strong position in the global value chain and the globalised market.

**You sound as though you have made great in-roads into measuring the components of globalisation. What is next on the agenda?**

The next challenge is to integrate all of this information into a coherent and logical description of the pros and cons of globalisation. We need this to help our politicians and businessmen focus outwards on the wider economy by giving them evidence on which to base their decisions. But we still have a long way to go. We cannot yet capture all the features that make up trade and employment in this globalised world.

However, we do now know that we cannot just look at one single enterprise and its business in isolation and hope to understand its effects on the economy. Ideally we really need to know more about the origins and destinations of each company's inputs and outputs. We need to know more about how business has changed from being conducted mainly within the same enterprise group to being passed among numerous firms as this has a strong effect on the labour market. Active profiling of the larger enterprises gives us very useful information on these issues and helps us understand the behaviour of enterprises. We also think the European Business Register that has been developed will help with this.

Finally we are very interested in looking more closely at those large companies which play a key role in investing abroad, how they reinvent processes, production or even the organisational structure of the production chain. Much is still to be done. ■

## IRELAND

At the last meeting of the Directors General of the National Statistical Institutes in Riga, Latvia, in September 2014, the CSO gave an interesting presentation on some of the issues faced by National Statistical Institutes when trying to meet growing user needs for data on global economic activities. Could you tell us a little about this?

Well, although I can only speak for Ireland, I think some of the issues we tackle in trying to meet the needs of both our local and global users are felt by other European statistical offices: we are all very much in the same boat.

Irish national statistics users are well aware of the importance of multi-national enterprises for the Irish economy. Given the recent crisis, our users' main concerns are employment, who we trade with, and the state of our economy in general. They want to be able to use official statistics to identify economic risks as soon as possible.

Increasingly users also would like to know more details about ownership of companies and whether certain sectors are dominated by "domestic" or "non-domestic" enterprises. Information from across the statistical domains needs to be drawn together to build up a broader view of how our economy fits with the global economy and here, the so-called "global value chain" approach could help meet such user needs.

### So how do you stand currently if users want data relating to globalisation?

We have a lot of data which can be used for monitoring globalisation but they tend to be in separate domains – for example data on International Trade in Goods and Services, Foreign Direct Investment or Structural Business Statistics, with National Accounts and Balance of Payments statistics being the most often used when users discuss globalisation. But we do have some problems. For example, pinpointing the residency of a multinational enterprise can be difficult and interpretations of residency can differ across countries. Also, the structure of funding for multinational enterprises can be extremely complicated and it can be difficult for data providers in one



JENNIFER  
BANIM, Assistant  
Director General,  
Economic Statistics,  
Ireland

country to give the complete picture on cross-border investment. Finally, given the need to balance response burden against user needs, it is difficult to ask companies for increasingly detailed information, for example adding a request for separate data on inter-group trade and other trade may have a negative effect on response rates and on data quality if data providers struggle to meet the required detail.

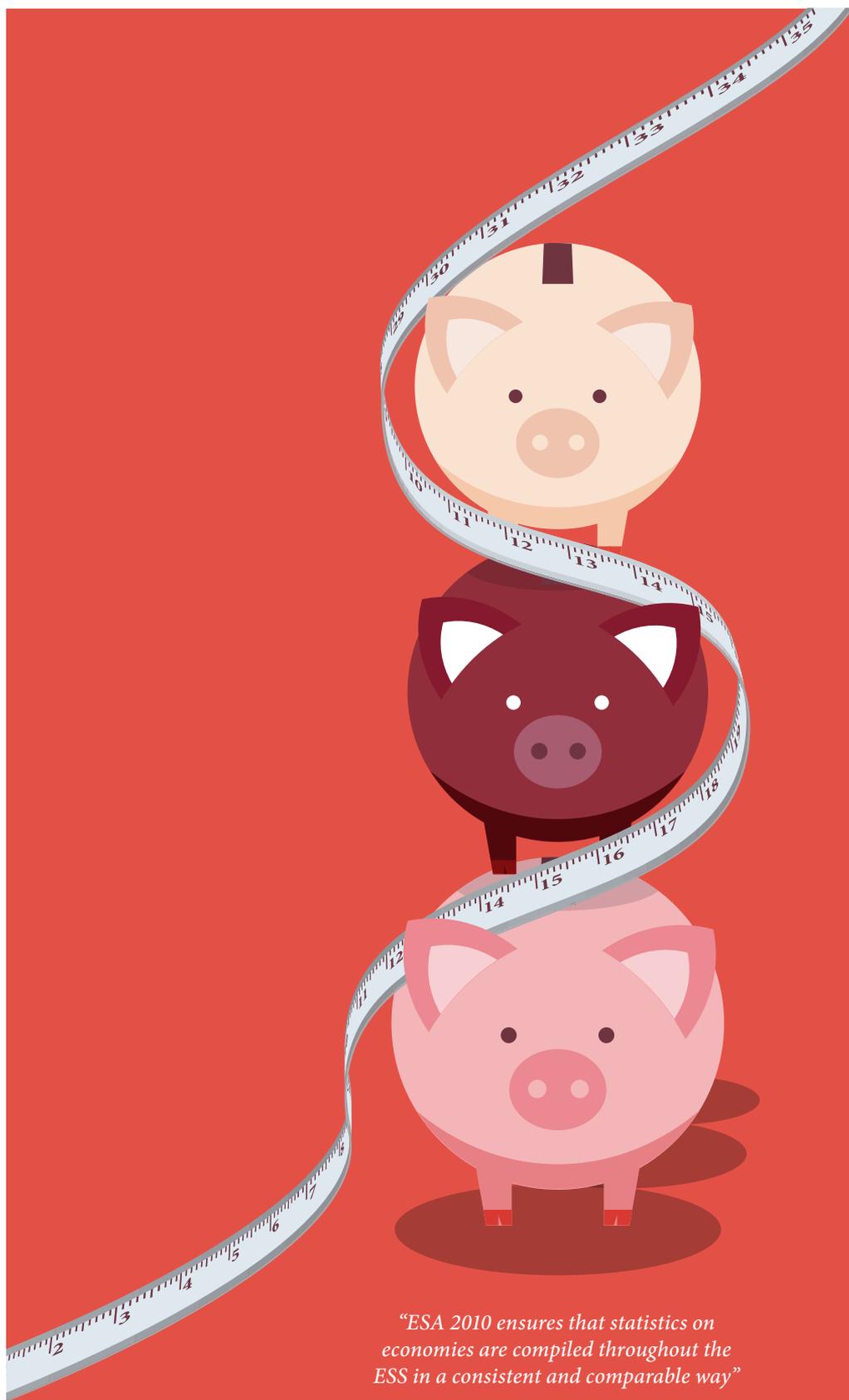
### How is the statistical community dealing with such issues?

International organisations, in co-operation with national offices, need to be the driving force for setting standards to build coherent information on global value chains, and to ensure that all the countries in the chain adhere to the common standards. The global community has identified priorities, such as the need to ensure that enterprises can be individually identified, the need for a comprehensive business register at the centre of data collection and the potential to increase data exchange across national statistical offices.

As a national office, we have to work to meet new user demands on globalisation information as far as possible while also continuing to deliver data to meet current user needs. It is a difficult balancing act, especially where resources have decreased in many statistical offices in recent years.

But the good news is that, although in the past the coherence of statistics across countries was often of secondary importance to national users, the benefits of coherent information on global activities is increasingly appreciated and the statistical community needs to communicate clearly to users the value of this information when building national policies.

We are hopeful that a consistent EU approach will be developed to build a base level of commonly agreed ground that will make good quality measurement of global value chains feasible across EU and non-EU countries. ■



*“ESA 2010 ensures that statistics on economies are compiled throughout the ESS in a consistent and comparable way”*

# GDP AND THE INTRODUCTION OF ESA 2010

Gross domestic product, or GDP, is the most frequently used measure of the economic activity of a country. Popularly, GDP could be described as the 'size' of a given economy, as it captures the value of all goods and services a country produces in a particular period. What is more, derived GDP indicators, such as GDP per capita, are widely used for comparisons between countries in areas such as living standards.

In other words, GDP could be seen as representing a picture of the economic health of a country, so its correct measurement and interpretation are of crucial importance not just for politicians and economists, but for society as a whole. When a country's GDP is growing, firms may well invest more money in the economy, unemployment tends to go down and wages up, and citizens, who feel more confident, may spend larger proportions of their disposable incomes in the shops. This boosts the economy, as consumers are responsible for a large proportion of the nation's economic activity. A negative GDP growth is a bad signal for the economy. It may result in smaller investments, higher unemployment levels and lower consumer demand. If GDP falls for an extended period of time, a recession may become a depression.

## International measurement frameworks

The measurement techniques used for estimating GDP are complex and based on a wide range of detailed economic data and other regularly obtained information. To accommodate these complexities and ensure comparability between the economies of different countries, international measurement frameworks were introduced in the past.

The System of National Accounts 2008 (2008 SNA), adopted by the United Nations Statistical Commission, is a statistical framework defining

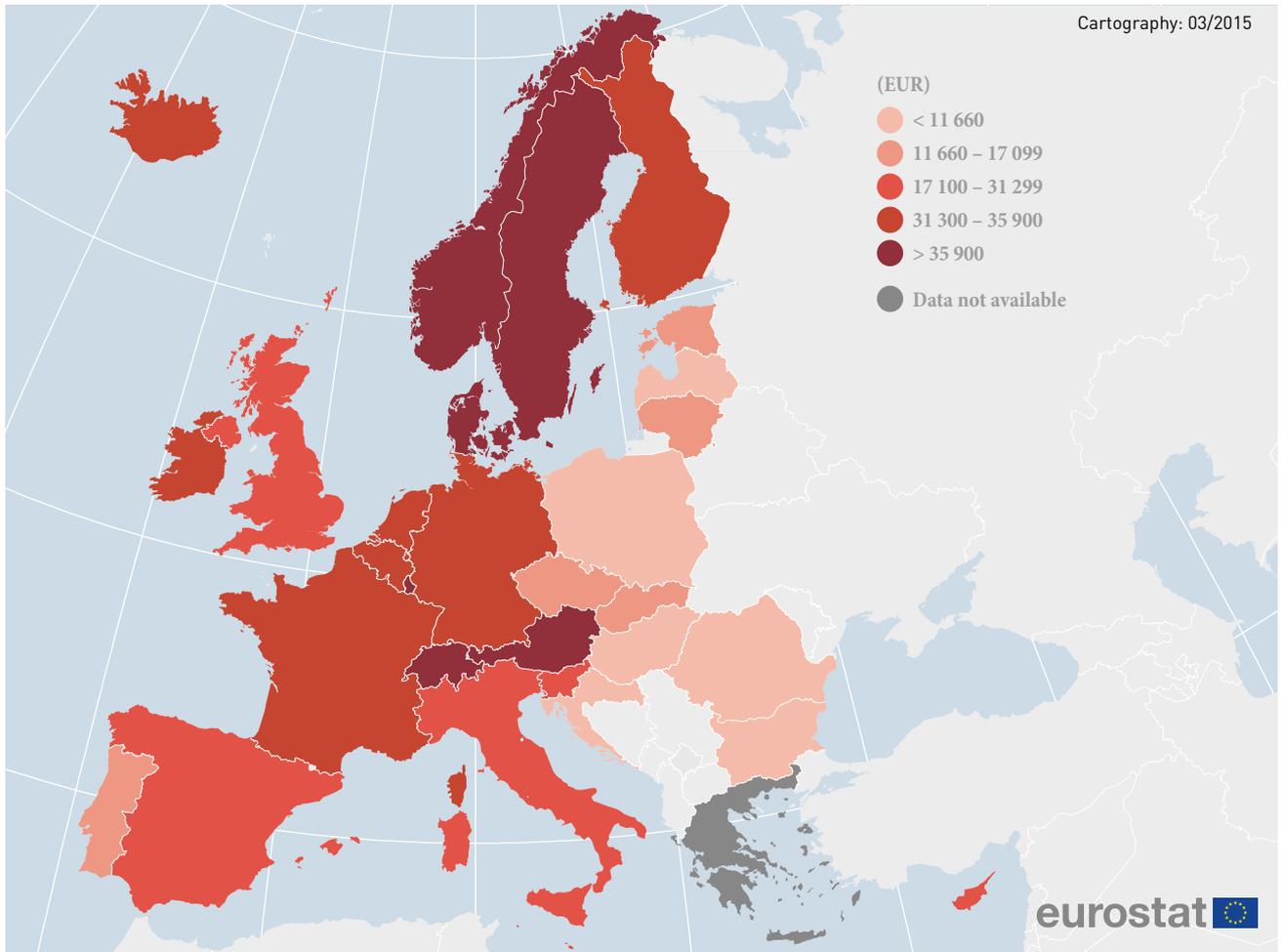


worldwide guidelines on national accounting used for the calculation of GDP. Produced by the United Nations, the European Commission, the Organisation for Economic Co-operation and Development, the International Monetary Fund and the World Bank Group, 2008 SNA has already been implemented in the US, Australia, Canada and other countries around the globe.

In Europe, the European System of National and Regional Accounts (ESA 2010), setting down the harmonised methodology to be used by all ESS members for the production of their national accounts data, was introduced last year. Simply put, ESA 2010 ensures that statistics on economies are compiled throughout the ESS in a consistent and comparable way. Its structure is consistent with the guidelines set out in the 2008 SNA.

Replacing its predecessor, ESA 1995, the new EU framework reflects the latest developments in the way we measure economies, the advances in methodological research and the growing needs of European data users. Since the 1990s, European economies have undergone substantial changes, influenced by factors such as the globalisation

## GDP per capita in 2013



Administrative boundaries: © EuroGeographics © UN-FAO © Turkstat

of economic systems and the increased role of services as well as information and communication technologies in the production processes.

It is worth pointing out that the compilation of the ESA 2010 rules and their initial implementation meant a considerable amount of work for all ESS partners, not only in the conceptual and methodological areas, but also in the field of IT, to enable regular data transmissions to Eurostat by ESS Member States.

To ensure the strict application of the ESA 2010 rules, the European Parliament and the

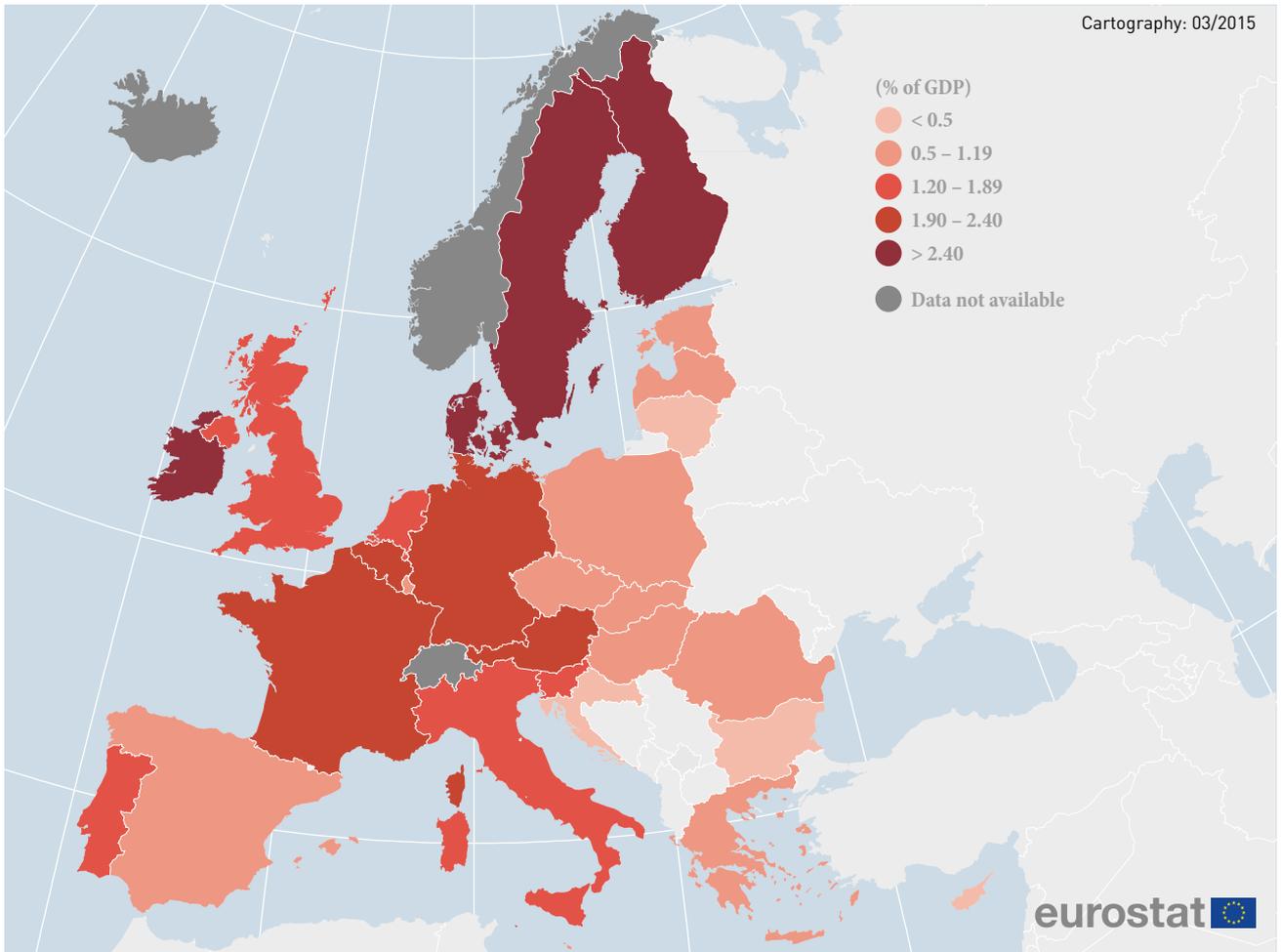
European Council adopted them in the form of an official EU regulation, giving them a legal basis.

### **Changes introduced by ESA 2010**

Altogether, ESA 2010 introduced 44 methodological changes, with only a few of them having a significant impact on the main national accounts estimates.

The biggest methodological change by far relates to the area of research and development (R&D). The new system is on capitalising research and development, which means that from now on

## Impact of R&D on the level of GDP in 2010



Administrative boundaries: © EuroGeographics © UN-FAO © Turkstat

R&D is considered to be an investment rather than a cost. The thinking behind this major accounting change was that we invest in our development and knowledge as much as we do in the latest machinery and other tangible assets.

Following this logic, R&D expenditures contribute to future economic growth due to their investment value. However, as investments raise the level of GDP, this change alone increased GDP levels of Member States by figures ranging from 0.1% to 4% (see map above).

The second most significant methodological change involved the spending on weapon

systems which, according to new rules, are now also counted as investments. In this case, ESA 2010 recognised the 'productive potential' of those expenditures for the external security of a country over a number of years. This identified them as investments.

Other methodological changes, relating for instance to the classification of certain entities into government and the transactions related to pension schemes, affected GDP levels of ESS member states to a much smaller degree.

## Broadening the picture

Gross Domestic Product is the most important aggregate measure of the total economic production of a country, including its foreign trade balance, personal consumption and government purchases.

However, GDP alone does not transmit much of the information needed to obtain a fuller picture of the developments taking place in today's societies. Assuming that the life of a society consists of more than just economic transactions, GDP fails to capture the well-being of people. It does not reflect the distribution of the economic benefits within a society and leaves out much of the information regarding the environmental aspects of the economy.



In an attempt to complement the GDP data, a number of important international initiatives were launched in recent years. They aim at developing additional social and environmental indicators, which would shed light on some of the broader aspects of the progress of contemporary societies.

## GDP and beyond

In 2007, an international conference called “Beyond GDP” paved the way for the European Commission’s communication “GDP and beyond: Measuring progress in a changing world” (2009), which outlined five concrete actions which would

lead to the development of new indicators, enhancing GDP figures. The parallel work of the so-called Stiglitz-Sen-Fitoussi commission also focused on the importance of the measurement of current environmental and social phenomena, including the quality of life of citizens.

Much of the current work done by the ESS partners reflects the realisation that apart from the measurement of objective outcomes, there is an urgent need for statisticians to better capture the subjective perception of life of members of society. As a result, comprehensive sets of the quality of life indicators are currently being developed, which focus on issues such as material living conditions and the health and education of citizens.

Complementary to this, an ad-hoc module on well-being was implemented in the EU Survey on Income and Living Conditions 2013 containing, for the first time, subjective questions, such as “How satisfied are you with your life these days?”. As a result, in 2014 ESS Members invested heavily in analysing the micro-data from this module to use them to complement the results of the existing data collections and social surveys.

Intensive work also continues on the development of new indicators which would make it easier to measure environmental sustainability. Many of them are already helping EU policymakers take informed decisions on the reduction of negative impacts of European economies on the environment. For instance, the so-called resource efficiency scoreboard, first published by Eurostat in December 2013, was regularly updated by experts last year. The scoreboard, consisting of 30 indicators assessing the use of natural resources in the EU, was put together by environmental statisticians and economists.

Increasingly complementing and adding to the established GDP figures, those new data are progressively allowing the ESS experts an inside look into European societies from more than just an economic perspective. ■

## View of ESS Member

### IMPLEMENTING ESA 2010 IN FRANCE

In INSEE we began quite early with the preparations to implement ESA2010 and for this coordinated closely with our partners such as the Banque de France and other data providers as well as internally to provide benchmark revisions for series that would be impacted by the change.

Most importantly, we set up a rigorous communication strategy to inform our users of impending change. We started at the beginning of 2014 with information about the coming revision and a qualitative assessment of the possible impact on the GDP figure itself as well as its sources and subsets. We also had communications targeted directly to financial or economic journalists to further explain the reasons behind the expected revisions. We wanted to make sure that it was understood that the revisions were a legitimate consequence of upholding international standards and better accounting for economic stocks and flows rather than a result of a desire to improve public finances ratios following the European sovereign debt crisis. We repeated the information and warnings until the first revised data were due out in May.

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In May, on publication of the revised figures, we again chose a two-pronged approach: a communication showing the impact of the change on GDP generally as well as a detailed analysis for the experts focussing particularly on the Excessive Deficit Procedure and deficit debt ratios.

Looking back, we had most difficulties explaining that ESA 2010 revisions and benchmark revisions from updated statistical sources occurred simultaneously and to show their separate effects. Plus we not only had to contend with informing our own media and users but also had to deal with confusing accounts from journalists from other countries reporting about our revisions. Finally, some changes impacting GDP had a similar effect on public expenditures and receipts which meant the expenditure/receipts to GDP ratios remained more or less unchanged despite the sharp increase in the level of GDP. Trying to explain this caused us some headaches. National Accounts is a complex subject indeed. ■

# EUROPEAN STATISTICAL SYSTEM

ESS - <http://ec.europa.eu/eurostat/web/ess/latest-news>

Eurostat - <http://ec.europa.eu/eurostat>

-  Statistics Belgium - <http://statbel.fgov.be>
-  National Statistical Institute of Bulgaria - [www.nsi.bg](http://www.nsi.bg)
-  Croatian Bureau of Statistics - [www.dzs.hr/](http://www.dzs.hr/)
-  Czech Statistical Office - [www.czso.cz](http://www.czso.cz)
-  Statistics Denmark - [www.dst.dk](http://www.dst.dk)
-  Federal Statistical Office of Germany - [www.destatis.de](http://www.destatis.de)
-  Statistics Estonia - [www.stat.ee](http://www.stat.ee)
-  Central Statistics Office of Ireland - [www.cso.ie](http://www.cso.ie)
-  Hellenic Statistical Authority - [www.statistics.gr](http://www.statistics.gr)
-  National Statistics Institute of Spain - [www.ine.es](http://www.ine.es)
-  National Institute of Statistics and Economic Studies of France - [www.insee.fr](http://www.insee.fr)
-  National Institute of Statistics of Italy - [www.istat.it](http://www.istat.it)
-  Statistical Service of Cyprus - [www.cystat.gov.cy](http://www.cystat.gov.cy)
-  Central Statistical Bureau of Latvia - [www.csb.gov.lv](http://www.csb.gov.lv)
-  Statistics Lithuania - [www.stat.gov.lt](http://www.stat.gov.lt)
-  Statistics Luxembourg - [www.statistiques.public.lu](http://www.statistiques.public.lu)
-  Hungarian Central Statistical Office - [www.ksh.hu](http://www.ksh.hu)
-  National Statistics Office of Malta - [www.nso.gov.mt](http://www.nso.gov.mt)
-  Statistics Netherlands - [www.cbs.nl](http://www.cbs.nl)
-  Statistics Austria - [www.statistik.at](http://www.statistik.at)
-  Central Statistical Office of Poland - [www.stat.gov.pl](http://www.stat.gov.pl)
-  Statistics Portugal - [www.ine.pt](http://www.ine.pt)
-  National Institute of Statistics of Romania - [www.insse.ro](http://www.insse.ro)
-  Statistical Office of the Republic of Slovenia - [www.stat.si](http://www.stat.si)
-  Statistical Office of the Slovak Republic - <http://slovak.statistics.sk>
-  Statistics Finland - [www.stat.fi](http://www.stat.fi)
-  Statistics Sweden - [www.scb.se](http://www.scb.se)
-  Office for National Statistics of the United Kingdom - [www.ons.gov.uk](http://www.ons.gov.uk)

## EFTA COUNTRIES

-  Statistics Iceland - [www.statice.is](http://www.statice.is)
-  Office of Statistics Liechtenstein - [www.llv.li/#/11480/amt-fur-statistik](http://www.llv.li/#/11480/amt-fur-statistik)
-  Statistics Norway - [www.ssb.no](http://www.ssb.no)
-  Federal Statistical Office of Switzerland - [www.bfs.admin.ch](http://www.bfs.admin.ch)