

**CNEL**  
**CONSIGLIO NAZIONALE DELL'ECONOMIA E DEL LAVORO**  
**(National Council for Economics and Labour)**

**Indicators of economic and social growth  
to be used to supplement GDP**

**observations and proposals**

Assembly  
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## **The document's history**

The present observations and proposals have been drafted by CNEL in compliance with art. 10 of Law 936/1986 concerning "Regulations governing the National Council for Economics and Labour".

Preparatory studies for the document were conducted by the Committee for economic policy and competitiveness of the productive system (1<sup>st</sup> Commission) from January to June 2010.

As part of this preparatory activity, on 14 April 2010 the workshop "The indicators of economic and social development to supplement that of GDP" took place, attended, among others, by Prof. Enrico Giovannini, President of ISTAT.

The research "Indicators of economic and social development to supplement GDP" conducted for CNEL by economic analysis institutes CER, Prometeia and Ref was used as a technical contribution.

The document was approved by Commission I in its meeting of 9 June 2010.

The document was approved in its final version by the CNEL Assembly in its meeting on the 21<sup>st</sup> of June 2010.

## **1) The integration of gross domestic product as an indicator of development**

The discussion on indicators to measure the progress of a society has become increasingly important in recent years.

As is well known, the OECD launched the "Global Project on measuring the progress of societies" and, from 2004 onwards, has organised three World Forums and other initiatives on this question. CNEL's Economic and Social Councils and the international Association representing them, AICESIS, were invited to take part in the OECD Forum of October 2009.

In 2008 French President Sarkozy set up a "Commission on the Measurement of Economic Performance and Social Progress", chaired by Joseph Stiglitz. The European Commission then sent national governments and the European Parliament the Communication "GDP and Beyond". The question has also been the focus of attention for many other national and international scientific institutions and associations.

The Greek crisis led the European Commission to propose the definition of a new set of indicators capable of detecting possible structural imbalances, in order to achieve greater financial stability and, therefore, as a modern instrument of economic governance.

CNEL too has promoted a research on "The new indicators of development - proposals for analysis". On 13 April 2010 it organised a workshop attended, among others, by ISTAT President Enrico Giovannini.

Gross domestic product (GDP) is a fundamental summary indicator to evaluate a country's economic progress. However, all of the above-mentioned initiatives have acknowledged the limitations of gross domestic product as an exclusive indicator of social progress (including problems relating to its correct measurement), analysing the additional information needed to produce more relevant and correct indicators for measuring the progress of society.

The debate has been refuelled by the recent financial crisis, which has resulted in the current profound uncertainty about the fate of individuals, faced by the worst economic crisis of the post-war period, and above all about conceptual paradigms and the best economic policies to pursue. There is broad consensus that available statistical instruments need to be reviewed in order to be able to conduct more complete and realistic analyses.

The main contributions made by OECD initiatives and the Stiglitz Commission have been to:

- underline the multidimensionality of progress made by a society, and thus the need to identify some indicators in addition to GDP, thus rejecting the idea of a single summary indicator to replace that of gross domestic product;
- insist that indicators supplementing GDP will be able to evaluate both inequalities and the long-term sustainability of a country's economic, social environmental development;
- show that the various facets of sustainable progress should in any case be measured and evaluated jointly, so that progress in some areas is not achieved to the detriment of other areas;
- stress the fact that these indicators need to be selected through a process involving all stakeholders, acquiring a joint information base acknowledged to

be credible by citizens, social partners, political parties and economic operators.

In greater detail, there has emerged the need to define other indicators, objective and subjective, to measure Wellbeing, the Quality of life and, generally speaking, the Progress of Society and its sustainability over time, such as:

- the role of uncertainty/insecurity in the decision making of economic operators, enterprises and households;
- evaluation of the quality of public spending and public services;
- the long-term environmental, economic and social sustainability of decisions taken by States, households, enterprises and financial brokers;
- relations between the wellbeing of today's generation and future generations, with special reference to the consumption of environmental resources;
- relations between economic growth and social and territorial inequalities, the protection of civil rights and entitlement to safety in the workplace;
- evaluation of the contribution to collective wellbeing made by goods and services produced by households and, in particular, work and care at home performed chiefly by women and the elderly population;
- evaluation of the contribution to collective wellbeing made by goods and services provided by non-profit, social and healthcare organisations, associations and institutions.
- gender differences in the labour market and in terms of pay
- the availability of family-based services to encourage the employment of women.

## **2) The "Statistical Constitution": a political rather than technical-statistical question**

As Amartya Sen says, discussing indicators means thinking about the final aims of a society. All of the above thus implies the need to discuss both domestically and internationally a "dashboard" of indicators needed to support economic operators and economic, social and environmental policymakers.

If one indicator is not enough, the development of statistical and computer-based methods have made it easier than ever before to acquire data in order to propose composite indicators as summary indexes of economic and social progress.

Composite indicators do not however provide a final solution to the problem: they have the advantage of being a simple communication, making it possible to draw up classifications that "rate" countries. As data are available to everyone, the development of statistical methodologies enables anyone to put together composite indicators. Thus the real problem for our society is to reach a shared vision of the meanings of progress, sustainable development and wellbeing. Today this shared vision is lacking, and this is a serious problem for modern democracies. One ends up using data as stones to throw at others, rather than as a tool for understanding where societies are headed.

If therefore we wish to have a set of indicators, a political problem arises: who is to choose the relevant indicators? Those qualified to do this job are social actors

who, by researching common indicators, seek to point towards a shared vision regarding the definition of social progress and measures needed to evaluate such progress. As suggested by international organisations, this research needs to be done by creating in single countries and even local communities structured opportunities and places for all social actors to meet and discuss these questions.

These institutional processes have the final aim of preparing indicators to support efforts:

- to acquire adequate and detailed knowledge of the present situation and future prospects for economic wellbeing and the quality of life of families and citizens, also on a local scale. This means that it is necessary to have rigorous, up-to-date and "publicly" accepted data and indicators that cover all bases for measuring progress;
- to foster a broader understanding of phenomena, guaranteed by the pluralism of information, ensuring relative transparency, correctness and reliability;
- to make available a common and recognised quantitative base for "informed" discussions on problems with the participation of social partners, political parties, economic operators and citizens, and to improve political debate through the use of data and indicators that all parties accept as being credible;
- for policymakers to take "informed" decisions when implementing economic and social policies, enabling them to be "transparent" and to account for their actions (accountability).

National statistical institutes cannot be left to work on these issues on their own. Their technical contribution is of course fundamental for defining indicators and data gathering methods in order to obtain high quality statistics, but they cannot replace organisations representing productive categories and organised civil society in efforts to agree on the final aims of society.

### **3) A task for CNEL**

It is thus necessary to identify an institution capable of coordinating the debate among the different sections of modern society. In addition to studying some topics it already covers in greater depth (employment, integration, economic crime, etc.), CNEL may be the driving force of the entire process of discussing the relevant objectives of a society, since:

- as an Institution of constitutional relevance and a permanent instrument for fostering discussion and dialogue among social partners, its claim to perform this task is both legal and perceived by society;
- its independence makes it an actor less affected by political changes, even though it is an important advisor to the Government and to Parliament;
- it is more oriented and mobilised towards medium- and long-term objectives, while the political system tends to focus on short-term goals;
- it has a consolidated tradition of consulting all sections of organised civil society and stakeholders.

As specified in the law governing its creation, CNEL has played a role that is closely tied up with the construction of indicators for long-term economic policy targets. As well as being a user of information and of the statistics culture, it has also been a sounding board, a place for discussing, reviewing and disseminating, in all its analytical activity.

For the above reasons, in the past few years the Council has sought to construct tools capable of evaluating long-term policies. The aim was and remains that of constructing a common base for awareness building and reflection among social actors, even though their objectives vary greatly. Such tools include the forecasting model for Italian pension spending; the 2005 research on indicators of sustainable development; the recent evaluation of the impact of energy policies to combat climate change on development and employment.

Both the Stiglitz Commission and the OECD have stressed the implications of the inability to measure the value of production of the public sector, for which there are no market prices. It is not possible, for instance, to know the how such expenditure rises, especially in a country such as Italy, where the culture of measuring the performance of the public sector has been subdued. Policymakers too have difficulty evaluating the relationship between resources deployed and concrete results obtained. The PA world has become too important for the economic and social competitiveness of the system, and this question has a direct bearing on social partners. This awareness caused CNEL to construct, a number of years ago, a bridge linking actors involved in this question. Other tasks regarding this sphere have been entrusted to CNEL by recent legislation and by the reform of public administrations.

All of these different roles however need to be reinforced and unified as regards their meaning, which is basically that of seeking economic and social wellbeing, open to the contributions of values, interests and skills of civil society. An anticipation of this was the CNEL research "Indicators for sustainable development", presented in 2005. That research set out to cover the three dimensions of sustainable development: economic, social and environmental. A set of indicators for sustainable development was constructed, based on indexes (thematic aggregates of indicators), indicators (direct descriptors of economic, social and environmental phenomena) and targets (objectives to be pursued over time) and to consequently draft a Report on sustainable development in Italy, describing the current state of sustainability and allow its monitoring in the future. In this case too the sharing of the methodology and of indicators (54 in number) and of reference targets was deemed to be essential. For this reason the definition of the set of indicators was accompanied by consultations, with the participation of different stakeholders, adding to the debate with observations and suggestions. The most interesting aspect of the project was probably that of seeking to jointly define indicators and targets, going to form the basis of a shared vision of sustainable development for Italy.

#### **4) CNEl's contribution: a possible work plan.**

##### **a) Sharing the definition of progress**

Despite its vast and ambitious aims, the project to construct a set of indicators on medium- and long-term wellbeing trends does not require extraordinary financial efforts nor a greater amount of time, especially if existing statistics are chiefly used. The construction of concrete references of economic and social governance, with CNEl at the forefront, requires care when choosing partners. ISTAT will of course have an important role to play in the design and start-up phases. And the Institutions most involved and influential in these areas will also be called upon, as well as organisations representing civil society, in order to suitably cover relative demands.

The Steering group that will be set up will firstly develop discussions on the macro-dimensions of wellbeing, the fundamental factors to be observed, which in statistical terms are known as "domains". Works will certainly start from definitions established internationally, in order to gain a better idea of what is meant by "progress" in our country. In national cases, indeed, one must be more specific and take into account, when defining progress, actual situations, systems of preferences and the underlying values of the country. A comprehensive analysis is thus needed to decide on the elements to focus on and to build consensus on the dimensions by which progress is measured. The Group's proposals will be examined and approved by CNEl.

##### **b) Choosing instruments to measure progress**

In subsequent phases, the most suitable indicators will be chosen for each dimension. This will be a sort of "statistical constitution", i.e. a suitably general set of indicators, like the constitution itself, but shared by all. In scientific terms, an infinite number of indicators can be proposed to measure wellbeing, the quality of life and progress. It is necessary to start with a more "technical" analysis, a screening of the best statistical indicators to define and measure those dimensions. This activity will be performed by a working group chaired or coordinated by ISTAT, consulting stakeholders.

The decision on the set of indicators, shared and really useful for political decision making and for social control, is a political decision, and should be taken by CNEl based on the recommendations of the Steering group. It will also be necessary to establish territorial levels and population groups for which indicators will be calculated. To this end, it may be important to make use of and/or develop the experiences of measures adopted at the level of local communities.

##### **c) Report on the measurement of progress in the country and the Forum**

Having defined the set of indicators, CNEl will draft a periodical report on the country's economic and social progress. The report will also look at the set of indicators and carefully monitor their appropriateness, especially in light of actual economic and social trends. To celebrate the 150<sup>th</sup> anniversary of Italian unification, CNEl, in collaboration with ISTAT, may decide to organise an event



centring on the (approximate) measurement of progress in our country from 1861 to 2011.

CNEL will also set up an ad hoc Forum on its portal, which will consist of:

- data from different sources, comparable whenever possible;
- field researches, already completed and in progress, conducted at a national level, as well as links to international researches;
- contributions to the discussion made by stakeholders.

#### **d) The correct interpretation and reporting of statistics**

CNEL may help to build broad consensus on proposed indicators, committing itself to disseminate methods on the correct use of different parts and of the full set of indicators. This may be done via communication initiatives and specific information "campaigns" using available means of communication.