



European Conference on Statistics for Policy Making: Europe 2020

Better statistics, better policies, better lives

**Draft Remarks by Pier Carlo Padoan
Deputy Secretary-General and Chief Economist
OECD**

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President Barroso, Commissioner Potočnik, Ms. Flores Gual, Mr. Radermacher,
Ladies and Gentlemen:

I am very pleased to attend this Conference on “Statistics for policymaking: Europe 2020.” Your kind invitation to speak at this opening session attests to the excellent relations between the European Union and the OECD.

Today, 21 EU Member States are also members of the OECD, which now gathers 34 countries overall. This obviously implies close ties between the EU and the OECD. We have common purposes in terms of economic stability, sustainable growth, structural reforms and social cohesion. Our strategic partnership has been developing over the years through constructive discussions, joint initiatives and day-to-day co-operation between the various general Directorates of the Commission and the OECD Secretariat.

This year, the OECD is celebrating its 50th Anniversary. This is the occasion to restate the Organisation’s mission to develop best standards in public policies in order to improve the lives of citizens in OECD countries and around the world -- in other words to promote *better policies for better lives*. Our work encompasses nearly all areas of public policy, from macroeconomic to entrepreneurship, from fight against corruption and tax heavens to biotechnology, from health to competition, from education to development aid, from renewable energy to migration, international trade, innovation and corporate governance. In all these areas, we measure and analyse, we compare countries’ performances, we set standards and identify best practices.

Statistics are a central pillar of this policy work: they provide us with the essential foundation for our analyses, forecasting and benchmarking work; they are at the heart of our evidence-based policy recommendations. Today, I would like to highlight the key role of statistics in our response to the crisis and, more broadly, in our work on assessing the well-being of people and fostering the progress of societies.

Enhancing statistics: a major lesson from the crisis

The world is slowly recovering from the worst financial, economic and social crisis of the past seventy years. This is time for us to take stock of a number of important lessons that we have learned from the pernicious dynamics that led the world economy close to the abyss.

The crisis was not caused by a lack of statistics. Many indicators were available that pointed to stress and unsustainable tensions in our economies but unfortunately these were largely overlooked by policymakers and the general public. Nevertheless, the crisis did reveal some important data gaps and underscored the importance of timely and internationally comparable information. In particular, the crisis has heightened the need to examine closely, systematically and regularly the development of imbalances in the economy, both globally and locally. This includes developing better measures of economic slack (such as the output gap), balance sheets (of households, businesses, the financial and the government sectors), current and capital account positions, prices of financial assets, real estate and commodities, exchange rates and various inflation measures. One main reason why the crisis took us by surprise is precisely because the extent of the imbalances, and their interactions, were underestimated. Stronger surveillance efforts are thus required and this entails a strong demand for relevant statistics.

In 2008, the G-20 leaders requested that the IMF, the Financial Stability Board and other international organisations explore some of the data gaps and provide proposals to address them. The OECD has been actively involved in this effort. Our contribution has focused on the collection and analysis of quarterly sector accounts. These include timely accounts for government, financial and non-financial corporations, and households. While such data are not yet fully developed in all countries, their elaboration is critical to better understand and quickly capture issues such as household and corporation debt, asset revaluation, exposure

of sectors to financial risks and the interconnectedness among sectors within an economy and across borders.

The OECD is conducting this work in close collaboration with the European Statistical System (Eurostat and the ECB). I am pleased to see that our two Organisations are increasingly sharing their data, analyses and expertise in the area of key economic and financial statistics.

But today we also observe the social consequences of the crisis: millions of people have lost their jobs, their homes, their pensions. The pace of the global economic recovery is still too slow to reintegrate many of them into the labour market and unemployment remains at unacceptable levels in the face of high public debt levels.

In this context, the massive protests of unemployed youth in some low and middle income countries are a strong warning signal. While the political environment in our countries is of course different, our weak labour markets can be a source of major social conflicts. We are currently putting a lot of efforts to develop statistics to better monitor global economic and financial developments. We also need to improve our statistical base to better monitor the social consequences of the crisis which in many countries will take a long time to unfold. For example, a few weeks ago, an OECD report on *Jobs for Youth* showed that in most of our countries young people have been among the most affected by the crisis at a time when they were already more than twice as likely to be unemployed as the average worker. And an upcoming OECD report will also show that in many countries, households' poverty rates have increased during the crisis. More detailed micro-data are needed to analyse the situation of at-risk and disadvantaged groups in the population and help design appropriate policies.

Beyond GDP: a stronger focus on people's well-being

More fundamentally, the crisis has not just highlighted areas where our statistical capacity remains deficient, but it has also undermined the confidence of people in markets, public policies and official statistics. Restoring confidence requires providing evidence of what matters to people's everyday lives.

The idea of measuring well-being has been recognized as a priority by top European political Leaders. Among them are President Sarkozy of France, Chancellor Merkel of Germany, Prime Minister Cameron of the UK and President Türk of Slovenia and it also figures highly in the EU2020 agenda. Beyond Europe, President Lee of Korea, and the Prime Minister of Japan, Mr Kan, have also put well-being and progress at the top of their political agendas.

Much of the statistics and indicators that we routinely produce are not looking at what truly matters to people. There is today a consensus that we put too much emphasis on measuring economic production – principally through gross domestic product – and not enough on assessing people's well-being. Too many important policy decisions are still being taken with GDP per capita as the main measurement rod.

Of course, GDP has to remain at the centre of our statistical systems. But we need to complement it with indicators that measure well-being more broadly. In addressing this challenge, we can build on the rich body of data and indicators that the OECD has produced over the years in such fields as education, health, innovation, the environment and climate change.

We can also rely on the accumulated knowledge and research that has taken place over the past ten years or so. The OECD has in fact led the international reflection on the measurement of progress. We have organised three World Forums in Palermo in 2004, Istanbul in 2007 and Busan in 2009. These events have allowed us to engage in discussions

about relevant measures of well-being and progress with policy makers, statisticians, scientists, economic and social actors from more than 130 countries. The 4th World Forum will take place in New Delhi in October 2012.

The research agenda has also benefitted greatly from the recommendations made by the *Commission on the Measurement of Economic Performance and Social Progress*, established by the French President Nicolas Sarkozy, also known as the Stiglitz, Sen, Fitoussi Commission.

Building on all these initiatives, the OECD is now stepping up its statistical work on three areas that matter for well-being and progress: material living conditions, quality of life and sustainability.

Our first effort is directed at *better measuring households' material conditions*. What happens at the level of the entire economy does not necessarily tell us what happens to households' purchasing power. For example, over the last decade, real GDP in my own country Italy grew by about 1.6% per year, whereas the real income of Italian households only rose by half that amount. Large discrepancies can also be observed in many other countries, which points to the importance of understanding and explaining why the benefits from growth have not been passed onto households.

Equally important, standard statistics on economic production do not account for the many important services that households produce at home. These include, for example, child care, cooking, care for the elderly, volunteer activities. Such activities could add between 20% and 40% to our conventional measures of GDP. Taking into account these services would give a very different picture of economic performances across countries and highlight the importance for policies of meeting new challenges, such as that of reconciling work and family life.

Most people would also agree that there is more to life than money. Indicators of *quality of life* should reflect health conditions, competencies, the time people spent commuting or with their families, their housing conditions, their local environment, their political participation, social connections, and the various risks that shape their feeling of security. Importantly, for each of these dimensions, we need to capture various forms of inequality in the population. We are also working on the development of guidelines on *internationally comparable subjective well-being indicators*. This is a huge area of work, where gaps between the statistics available and what is needed are even larger than those for economic statistics.

Lastly, *can current well-being be sustained over time?* How can we ensure that our well-being today is not achieved at the expense of our children's well-being? We are now attempting to develop better metrics of how our production and consumption patterns impact on the environment, both domestically and globally, through the development of indicators in the context of the OECD Green Growth Strategy. Taking a broader perspective, the concern on sustainability also requires developing better measures of human and social capital, and of knowledge and innovation.

As you can see, we have an ambitious statistical work programme ahead of us. We are working in very close collaboration with the EU on this, in particular through joint work on improved measurement of income inequalities and direct participation in the Eurostat/INSEE Sponsorship which is following-up on the recommendations of the Stiglitz-Sen-Fitoussi report at the European level. This will feed directly into the indicators work underpinning the EU2020 agenda.

On the occasion of our 50th Anniversary this year, we will issue a report entitled *How is life?*, which will present for the first time a set of comparable indicators on material living conditions and quality of life for OECD countries. These indicators will mainly reflect what data currently

exist but over time, as our and others' work deliver their results, these will be incorporated in future editions of the publication.

Ladies and Gentlemen:

Let me leave you with a key message: developing better statistics is not an end in itself. It is a means to improve policies that affect the functioning of our economic system and the well-being of people living in it.

There are several economic, societal and environmental goals that the EU and the OECD share. These goals determine what we have to measure, how measurements have to be transformed into useful knowledge, and how this knowledge has to inform policy design and decision making.

I hope that this Conference will stimulate ideas on the statistical agenda for the next decade. The OECD stands ready to work closely with the European Commission to enhance the statistical basis that underpins our policies.

Thank you.