

“Beyond GDP” Indicators in the Czech Republic

Tomáš Háek¹ | *Charles University Environment Center, Prague, Czech Republic*

Svatava Janoušková² | *Charles University Environment Center, Prague, Czech Republic*

Abstract

This paper contributes to the ongoing debate on the “Beyond GDP” issues addressed in the Czech Republic and the two member organizations: Organisation for Economic Co-Operation and Development and the European Union. Traditional indicators such as e.g. Gross Domestic Product (GDP) and the Human Development Index (HDI) have been the main determinants used to measure the progress of nations. However, neither GDP nor the HDI reflex the state of the natural environment and both focus on the short-term aspects, with no indication of whether current wellbeing can be sustained. We have applied a simple categorization framework that revealed types of indicator-related initiatives run by the respective bodies. The framework is based on the purpose of the alternative “Beyond GDP” indicators to replace, adjust or complement GDP. Yet the Czech politicians and experts have hardly used this term, the analysis has shown quite extensive activities in that field.

Keywords

Sustainable development, wellbeing, EUROSTAT, OECD, “Beyond GDP” initiatives, alternative indicators

JEL code

Z

INTRODUCTION

The geobiosphere’s capacity to support human needs has been seriously threatened (Millennium Ecosystem Assessment, 2005; Rockström, 2009). The Happy Planet Index 2012 report confirms that humankind is still not living on a happy planet and the British Prime Minister J. Cameron has recently stated that “it’s time we admitted that there’s more to life than money, and it’s time we focused not just on GDP but on GWB – general well-being”. The Happy Planet Report 2012 shows that no country is able to combine success across the three goals of high life expectancy, high experienced well-being and living within environmental limits. The Index, meant to be used as a “new measure of human progress”, measures the extent to which countries deliver long, happy, sustainable lives for their population. For the second time, Costa Rica tops the Happy Planet Index. Norway, on the 29th place out of 151 countries, is the highest ranking for Western European nation (NEF, 2012).

Traditional (i.e. used for official purposes and for a long time) indicators such as Gross Domestic Product (GDP) and the Human Development Index (HDI) have been the main determinants used to measure the progress of nations (UNEP, 2012). However, neither GDP nor the HDI reflex the state of

¹ Charles University Environment Center, José Martího 2/407, 162 00 Prague, Czech Republic. Corresponding author: e-mail: tomas.hak@czp.cuni.cz, phone: (+420)220199475, fax: (+420)220199462.

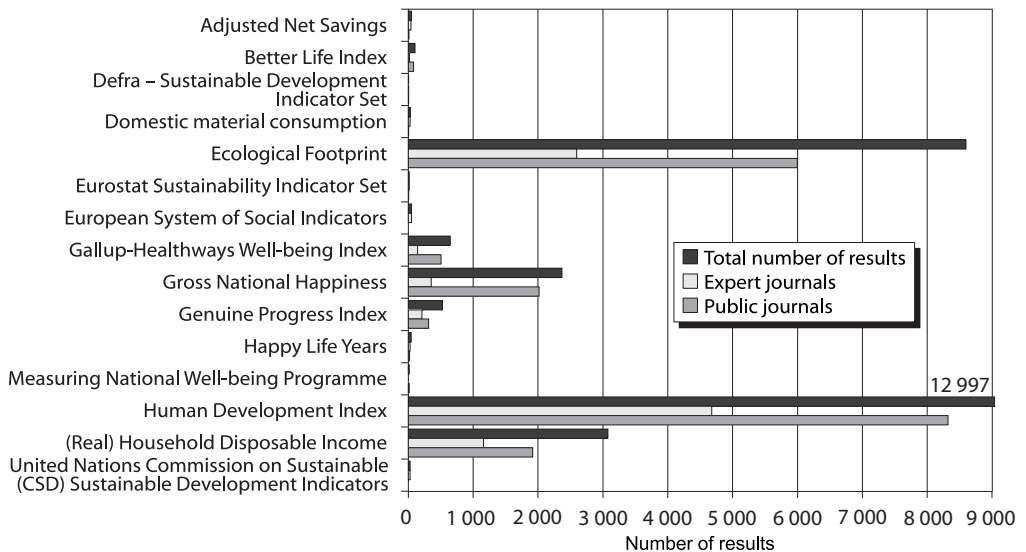
² Charles University Environment Center, José Martího 2/407, 162 00 Prague, Czech Republic. E-mail: svatava.janouskova@czp.cuni.cz, phone: (+420)220199468, fax: (+420)220199462.

the natural environment and both focus on the short-term aspects, with no indication of whether current well-being can be sustained. For decades, decision makers have lacked the information needed for good governance. By concentrating efforts on increasing the supply of scientific information, scientists may not be producing information considered relevant or useful by decision makers, and may simply be producing too much information of the wrong kind. On the other hand, actual and potential users may have specific information needs that remain unmet.

GDP is presented every quarter, stock markets daily. For environmental and some social issues, data is often two years old. (There are some exceptions, such as e.g. real time online data for air pollution; however, these data are useful for other purposes as regulation than for a strategic long term planning). There is need for timelier data to assist people in making decisions. Spatial differentiation of data can help make “dry” statistics accessible, relevant and engaging.

Besides timeliness and a proper scale there are other important criteria for good indicators: Statistical rigor (credibility), status and significance (relevance) and public participation (legitimacy) among the most important ones. The call for action comes not just from policy makers and experts, but also from the public and media. A survey conducted in the context of the Beyond GDP Conference in 2007 clearly showed that people want measures of progress that go beyond GDP: three-quarters of the population surveyed (in ten countries including Australia, Brazil, Canada, France, Germany and Russia) wanted governments to „look beyond economics and include health, social and environmental statistics in measuring national progress”. In a subsequent survey, almost 12 000 people across industrialized and developing countries were interviewed: The findings show that Germans (84 percent of whom want governments to also focus on health, social and environmental data to measure progress) are the most dissatisfied with GDP, followed by Brazilians (83 percent), Italians (79 percent) and Canadians (76 percent) (GlobeScan, 2011).

Figure 1 Media coverage of selected Beyond GDP indicators / indices (ProQuest, 1995–2012)



Source: Hák, Janoušková, Abdallah, Seaford and Mahony (2012)

The above findings are supported by a basic media analysis of English-written papers (including papers having at least abstracts in English) from the whole world that shows the increasing number of articles dealing with some non-traditional indicators e.g. Ecological Footprint or Gross National Happiness over

time (Hák, Janoušková, Abdallah, Seaford and Mahony, 2012). An overview of the media analysis results may be seen at Figure 1. As there is double sided effect between media and the public (the media present attractive information for the people while people expect and search for such information), it may be assumed that the public interest in alternative indicators increases. It seems that the “Beyond GDP” concept might be useful for presentation of these indicators which would not necessarily implicate the need to bring and present newly developed indicators but to use the existing ones and focus on finding an effective way for better presentation within the “Beyond GDP” concept.

This paper contributes to a debate on the “Beyond GDP” issues addressed in the Czech Republic and the two member organizations: Organisation for Economic Co-Operation and Development (OECD) and the European Union (EU). Introduction introduces the readers to the problem – lack of measurement tools to assess the real progress of nations. Chapter 1 opens the issue of measuring progress and provides basic historical perspective for that. Chapter 2 then discusses the current debates about shift from sustainability to wellbeing. Chapter 3 brings definitions and key characteristics of the “Beyond GDP” indicators while Chapter 4 introduces main initiatives of the European Commission, OECD and the Czech Government in the area. Chapter 5 briefly reminds membership of the Czech Republic in OECD and EU with the notion of reporting obligations. Chapter 6 presents the categorization framework and finally, the last chapter draws conclusions and implies further steps in the Czech Republic. The article ultimately points out to the fact that there has been several “Beyond GDP” indicator initiatives in the Czech Republic despite that term has not been promoted or consistently used. These activities have been of a various character (official reports, informal efforts, local initiatives) and timing (e.g. a regular indicator-based evaluation of Local Agenda 21 systematically building and applying the methodology and the whole measurement concept) and ad hoc papers or one-time events.

1 MEASURING PROGRESS

For almost ten years, focusing on people’s well-being and societal progress, the OECD has been looking not only at the functioning of the economic system but also at the diverse experiences and living conditions of people and households. Measuring well-being and progress remains a key priority for the OECD through research, regional conferences and the OECD World Fora on “Statistics, Knowledge and Policy” (The Fora have been organized regularly since 2004 – in Palermo, Istanbul, Busan and New Delhi). They gather decision makers, policy actors, statisticians, academics and NGOs to discuss how best to measure and foster the progress of societies. The authors’ department actively participated in that process (Moldan et al., 2004). The last, 4th Forum „Measuring Well-Being for Development and Policy Making” in 2012 was built around a program demonstrating how the OECD will contribute to a more resilient and balanced world economy in the future. This is an ongoing challenge – shortly after the birth of the OECD, in 1962, US economist Simon Kuznets (Nobel Economics prizewinner 1971) wrote that distinctions must be kept in mind between quantity and quality of growth, between costs and returns, and between the short and long run (Kuznets, 1962). After 30 years (since about 2000) experts have been looking at what a “better life” measure would include. The OECD’s “Measuring Progress of Societies” project has been fostering the development of key economic, social and environmental indicators to measure well-being of societies.

In 2007, a high-level conference “Beyond GDP” was organized by the European Commission (with European Parliament, Club of Rome, OECD and WWF) in Brussels. The objectives of the Conference were to clarify which indicators and indices are most appropriate to measure progress, and how these can best be integrated into the decision-making process and taken up by public debate. Over 650 delegates from more than 50 countries debated how to improve the measurement of progress, true wealth and the well-being of nations. The Conference reacted on common criticism that even though we live in an era of unprecedented data quality and quantity, in some key areas the issue of data quality and timeliness is not yet adequately addressed. For example, we need to improve our understanding of how people actu-

ally spend their time (including their involvement in non-market activities) and how these activities contribute to overall welfare. The subjective nature of progress and well-being was also posed as a challenge to developing effective indicators and statistics; the discussion showed that aspirations and needs have unique national and local circumstances. Spurred on by success of the 2007 Conference, the European Commission released the Communication “GDP and beyond: Measuring progress in a changing world” (EC, 2009). The Communication outlines an EU roadmap with five key actions to improve existing indicators of progress in ways that meet citizens’ concerns and make the most of new technical and political developments. The five key actions support the Commission’s aims to develop indicators relevant to the challenges of today — ones that provide an improved basis for public discussion and policy-making. The five key actions are the following:

- Complementing GDP with highly aggregated environmental and social indicators;
- Near real-time information for decision-making;
- More accurate reporting on distribution and inequalities;
- Developing a European Sustainable Development Scoreboard;
- Extending National Accounts to environmental and social issues.

Besides these highly visible initiatives there are plenty of research as well as testing and implementation efforts to assess quality of life, well-being and sustainable development of all scales (from local to global). Overviews of these activities are published e.g. by Bossel (1999), Booyesen (2002) and UNDP (2008).

2 GDP AND BEYOND – A NEW PARADIGM?

Since the 80’s of the last century, the term “sustainable development” has been used (first in the IUCN’s 1980 World Conservation Strategy). In 1987 “Our Common Future” gave direction to comprehensive global solutions (WCED, 1987). In Chapter 2 it says: “Sustainable development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains two key concepts: the concept of ‘needs’ and the idea of limitations imposed by the state of technology and social organization on the environment’s ability to meet present and future needs.”³ This definition was extended by the Earth Summit in 1992 (UN, 1992) and the formalization was completed by the World Summit on Sustainable Development in 2002 (UN, 2002) with the notion of the three pillars – social, environmental, economic – as symbolized by the summit motto “People, Planet, Prosperity”. Finally, at the UN Conference on Sustainable Development (Rio+20) in June 2012 heads of states renewed their commitment to sustainable development and to ensure the promotion of an economically, socially and environmentally sustainable future for our planet and for present and future generations. Rio Declaration (UN, 2012) specifically affirms that progress towards the achievement of the goals needs to be assessed and accompanied by targets and indicators while taking into account different national circumstances, capacities and levels of development.

Sustainability is a concept based on a holistic view of the world. It therefore requires multidimensional indicators expressing links between human and natural environment. Despite the debate on the misuse of GDP as an indicator of well-being is almost as old as GDP itself, the OECD’s and EC’s “measuring progress” initiatives have recently intensified to show that the commonly used statistics may not be capturing some phenomena, which have an increasing impact on the well-being of citizens. A relevant question is hence the following: What are the current practices of governments to build on the existing knowledge and consensus on alternative measures of well-being?

Despite a growing stock of literature about well-being and existing both broad and narrow definitions of well-being (Saltelli, Jesinghaus and Munda, 2007), there are serious difficulties with operationalization of the concept. A problem of broad definitions of well-being – in relation to available statistical informa-

³ Brundtland Report, <<http://www.un-documents.net/wced-ocf.htm>>.

tion – is that broad definitions would provide little guidance on the selection of relevant indicators, since almost all indicators collected by statistical offices and international agencies are – must be – of some relevance to the well-being of citizens. At the same time narrow definitions of well-being tend to lack key characteristics of concern to policy. An open problem for a well-being research agenda is then how to set up a framework which is both theoretically defensible and operationally useful.

A starting point might be to connect well-being research with the sustainability agenda. One shared non-controversial result of the sustainability literature is that sustainability is a multidimensional concept, which should at least include economic, social, environmental (and institutional) dimensions. The usual business of statisticians is to measure what happens or what has happened in the more or less remote past. In other words, we most often get the information on the current state of the world. However, when it comes to sustainability, the question turns to producing numbers about the future, which is not yet observed by nature (Stiglitz, 2009). Thus, it is conceptually useful to distinguish between an assessment of current well-being and an assessment of sustainability, whether this can last over time. Current well-being has to do with both economic resources, such as income, and non-economic aspects of peoples' life (what they do and what they can do, how they feel, and the natural environment they live in). Whether these levels of well-being can be sustained over time depends on whether stocks of capital that matter for our lives (natural, physical, human, social) are passed on to future generations.

It seems that the growing interest and demand for measuring well-being may be just rhetorical phenomenon or an effort to give a new momentum to the sustainability agenda. There is no real shift – in terms of new methodological approaches, data requirements etc. – from sustainability assessment to well-being assessment. In fact, due to a short political cycle politicians are more concerned with the current wellbeing of people. The demand for “Beyond GDP” indicators demonstrates an observable increased interest in alternative indicators providing decision makers (at all levels) with valuable information for decision-making processes. Politicians call for an index (one number or perhaps a small set of indicators) having similar communication power as GDP but conveying different information.

3 “BEYOND GDP” INDICATORS

What are such indicators? The term ‘Beyond GDP’ (or “GDP and beyond” as recently promoted by the EC) suggests both dominance of GDP (as a measure of quality of life) in the public debate and the need to go beyond that measure. Analytically speaking, the term “Beyond GDP” implies that “Beyond GDP” indicators provide the information that GDP does not. Of course, there are thousands of indicators which capture information not present in GDP – the key feature must be that “Beyond GDP” indicators somewhat capture information that people using GDP should know, i.e. that “Beyond GDP” indicators should somehow be used in at least some contexts where GDP is used. Therefore to understand what a “Beyond GDP” indicator is, one needs to know how GDP is perceived to be used. In the FP7 project BRAINPOOL (Hák, Janoušková, Abdallah, Seaford and Mahony, 2012), the “Beyond GDP” indicators/indicator sets have been defined as those that have been proposed as being necessary and vital for the measurement of societal progress, in a broad sense, other than those indicators, such as GDP itself, that are already playing this role.

A broad variety of indicators are presently in use. These indicators often reflect trends in the state of the social and physical environment. One of the most important functions of these indicators is to monitor the progress made in fulfilling policy goals. As such, indicators have become indispensable to decision-makers and other stakeholders. However, it is becoming more and more difficult for policy-makers to grasp the relevance and meaning of the existing indicators, especially given the number and diversity of indicators presently in use. Furthermore, new indices as well as indicator sets are still to be expected. Therefore, some typology or system is needed. In this paper, we look more closely at how the indicators are linked to the “Beyond GDP” theory and practice.

The Beyond GDP initiatives have proposed indicators to alter or complement GDP and other key economic indicators. EC distinguishes development of new measures of societal progress from attempts to enlarge GDP (Goosens et al., 2007). The former starts from GDP (or other figures from the System of National Accounts) but adjusts for some of its shortcomings to deliver more comprehensive overview of a country's wealth or well-being. Examples may be Adjusted Net Savings, Environmentally Sustainable National Income, Genuine Progress Indicator, Index of Sustainable Economic Welfare, and Sustainable National Income. Other categorization proposed Costanza et al. (2009): He speaks on (i) indexes that correct GDP (e.g. ISEW, GPI, and GreenGDP); (ii) indexes that do not use GDP (e.g. EF, subjective WB, GNH) and (iii) indexes that include GDP (e.g. HDI, HPI). All these initiatives stem from the realization that GDP is a measure of economic quantity, not economic quality or welfare.

A similar, comprehensive and comprehensible typology with regards to links between these alternatives and GDP was introduced by the European Parliament (Goosens et al., 2007). It came with the following grouping of the "Beyond GDP" indicators:

1. The category adjusting GDP includes those approaches where traditional economic performance measures like GDP or national saving rates have been adjusted by monetized environmental and social factors.
2. The category replacing GDP on the other hand contains indicators that try to assess well-being more directly than GDP, e.g. by assessing average satisfaction (like the Happy Planet Index) or the achievement of basic human functions (like the Human Development Index).
3. The category supplementing GDP consists of approaches, which have been designed to supplement GDP. Here GDP is not adjusted or replaced by constructing new indices but complemented with additional environmental and/or social information.

We consider useful elaborating on this concept further and creating two sub-categories within the last category:

- Indicators supplementing GDP based on a national accounts system. Recent revisions of the System of National Accounts (SNA) attempted to widen the scope of the conventional national accounts to incorporate data and indicators relating to environmental and social factors.
- Indicators supplementing GDP setting social and environmental information in relation to GDP.

The former group of indicators is based on accounting principles using the data from accounts (e.g. system of integrated environmental and economic accounts – SEEA) while the latter allows more flexible approach: dashboards of sustainability indicators, subjective indicators based on perception of life satisfaction etc. would fit into this group.

Further we will use this lucid categorization framework to look more closely at the "Beyond GDP" indicators activities of EUROSTAT, OECD and the Czech Government.

4 "BEYOND GDP" – INITIATIVES OF THE EU (EUROPEAN COMMISSION) AND OECD

Any indicators that might be called "Beyond GDP" indicators (in terms of the above mentioned classification) were subjects of our analysis. We surveyed various attempts seeking to enlarge GDP by incorporating a variety of indicator factors which are not included in the conventional measure. Also, we explored indicators supplementing GDP by extending the national accounts system in areas as materials, water, land, ecosystem services etc. Last but not least, we also included new or alternative indicators identified in various sustainability indicator sets.

4.1 European Commission – Eurostat and Environment Directorate General

In August 2009, the EC adopted a Communication "GDP and Beyond: Measuring progress in a changing world", which outlines a number of actions to improve and complement current growth measurements. The Communication concludes that it is important to complement the current GDP in order to

answer political challenges of the 21st century and to steer the EU policies towards green growth and a low-carbon, resource-efficient and inclusive society (EC, 2009).

Besides EUROSTAT, also the Environment Directorate-General has been active in the “Beyond GDP” initiative. It has sought to develop an environmental index and a sustainable development scoreboard (EC, 2012). The index aims to complement other macro-indicators - such as GDP or unemployment - by providing information on the level of ‘pressure’ exerted on the environment by activities taking place in the EU. The scoreboard aims to inform citizens and politicians about major trends in progress towards sustainable development. The Communication argues that environmental and social outcomes need to be measured and assessed separately from economic output, as the link between economic growth and well-being is not always automatic. The key issue is to improve timeliness of social and environmental statistics to the level of key economic indicators. The sustainable development scoreboard aims to inform citizens and politicians in a concise way about major trends in the progress towards sustainable development. It will contain issues related to sustainable development that are not yet sufficiently covered by official statistics, e.g. on biodiversity or eco-innovation. Therefore, the inclusion of data from non-official sources will be one important feature of this scoreboard. The Commission also adopted a proposal for a Regulation on Integrated Environmental Economic Accounting in 2010. The emphasis will be put on accounting of natural resources, including eco-system services and indicators on resource efficiency of the economy. The full elaboration of wealth or asset accounts could contribute to an adequate basis for this endeavor.

Figure 2 Evaluation of progress towards sustainable development by the EU headline indicators (EU-27, from 2000)

SDI theme	Headline indicator	EU-27 evaluation of change
Socioeconomic development	Real GDP per capita	
Sustainable consumption and production	Resource productivity	
Social inclusion	Risk of poverty or social exclusion (*)	
Demographic changes	Employment rate of older workers	
Public health	Life expectancy and healthy life years (**)	
Climate change and energy	Greenhouse gas emissions	
	Consumption of renewables (***)	
Sustainable transport	Energy consumption of transport relative to GDP	
Natural resources	Abundance of common birds (****)	
	Conservation of fish stocks	
Global partnership	Official Development Assistance	
Good governance	[No headline indicator]	:

(*) From 2005

(**) From 2002

(***) From 2006

(****) EU aggregate based on 19 Member States

Source: Eurostat (2012)

Eurostat reports on progress towards the objectives of the EU Sustainable Development Strategy every two years, drawing on the set of sustainable development indicators (Eurostat, 2011). This Report does not

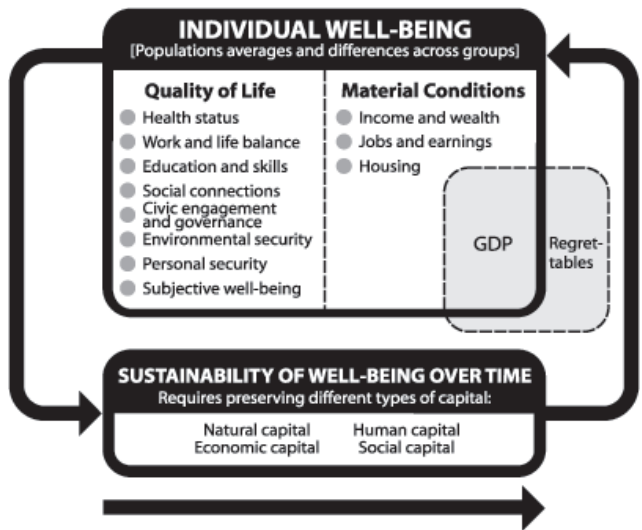
aim to give an absolute assessment of whether the EU is sustainable, as there is no political or scientific consensus on what this state of sustainability would be, or on the optimal (critical, minimal etc.) levels for many of the indicators presented here. Therefore, it aims rather at an assessment of progress towards the objectives and targets of the EU SDS, Eurostat admits that the focus is on sustainable development rather than sustainability: Sustainability is understood as a property of a system maintained in a particular state through time. Unlike the concept of sustainable development refers to a process involving change or development. The strategy aims to “achieve continuous improvement of quality of life” and the focus is therefore on sustaining the process of improving human well-being. Rather than seeking a stable equilibrium, sustainable development is a dynamic concept, recognizing that changes are inherent to human societies. Eleven headline indicators give an overall picture of achieving progress towards sustainable development in the EU (Figure 2).

4.2 OECD’s activities

For almost ten years, focusing on people’s well-being and societal progress, the OECD has been looking not only at the functioning of the economic system but also at the diverse experience and living conditions of people and households. The measuring well-being and sustainable development needs new (improved) statistics aimed at complementing standard economic statistics and developing indicators having a more direct impact on people’s life. This work has been grouped under two conceptual pillars: Individual well-being (Quality of life and Material conditions) and Sustainability of well-being over time (Figure 3).

Measuring people’s material conditions (i.e. their command over commodities) requires looking not only at their income but also at their assets and consumption expenditures, and at how these economic resources are distributed among different people and population groups. It also requires focusing on the economic resources of households rather than on measures pertaining to the economic system as a whole (e.g. GDP per capita). Economic resources, while important, are not all that matters for people’s well-being. Health, human contacts, education, environmental quality, civic engagement, governance, security and leisure time are all fundamental to people’s quality of life, as are people’s subjective experiences of life, i.e. their feelings and evaluations.

Figure 3 OECD framework for measuring wellbeing and progress



Source: OECD (2012)

Measuring quality of life requires looking at all of these elements at the same time: economic and non-economic, subjective and objective as well as at disparities across population groups. Sustainability (measuring of well-being over time) is assessed by looking at the set of key economic, environmental, social and human assets transmitted from current to future generations, and how these assets are affected by today’s actions, policies and behavior. To be able to do so, the OECD is developing metrics that better capture all types of capital (e.g. environmental capital by indicators to monitor the stock of natural

resources) and has started work on valuing those natural resources that are recognized in the national accounts, in particular land and subsoil assets. This work feeds into the development of Green Growth Indicators and will contribute to the implementation of the new System of Integrated Environmental and Economic Accounts (SEEA).

In terms of compound indicators, a 10-year work to identify the best way to measure the progress of societies is manifested in the OECD Better Life Initiative (OECD, 2012). Drawing upon the recommendations of the Stiglitz Commission, the OECD has identified eleven dimensions as being essential to well-being (community, education, environment, civic engagement, health, housing, income, jobs, life satisfaction, safety, work-life balance). These dimensions are explored and analyzed in detail in an attempt at an international level to present the well-justified set of comparable well-being indicators. At the same time, the OECD has created the “Your Better Life Index” – an interactive tool that allows everybody to see how countries perform (The Index allows putting different weights on each of the topics, and thus to decide what contributes most to well-being).

5 THE CZECH REPUBLIC – A MEMBER OF RICH CLUBS

The Czech Republic signed the Convention founding the Organisation for Economic Co-Operation and Development on 21 December 1995, thereby pledged its full dedication to achieving the Organization’s fundamental aims. Through its country surveys and comparable statistical and economic data, the OECD provides its member countries with tools to analyze and monitor their economic, social and environmental policies. Countries can draw on the OECD’s reservoir of expertise, including peer reviews.

The Czech Republic formally entered the European Union along with nine other countries on 1 May 2004, in what is the biggest enlargement staged so far by the EU. The Czech Republic was the second of the ten new member states that joined the EU to hold the presidency in 2009. The priorities of the Czech presidency were ‘the three Es’, economy, energy and external relations.

The membership in these two prestigious organizations brings a lot of benefits as well as obligations. Both organizations among others serve as comprehensive and reliable sources of comparable statistical and other type of data and information. They monitor trends, collect data, analyze and forecast economic, social and environmental development. The reporting tasks of the member states are clearly visible from organizational structures of both organizations: OECD family of organizations includes, in addition, special bodies as the International Energy Agency (IEA), the Nuclear Energy Agency (NEA), and the International Transport Forum (ITF). Similarly, the EU has specialized agencies to meet its responsibilities – European Commission’s departments (known as Directorates-General) and services as e.g. Joint Research Center or Eurostat, agencies as the European Environment Agency and others.

The problem for both organizations’ member states may be that data collection and monitoring systems are not identical, neither is there harmony in approaches and concepts regarding quality of life (well-being) and sustainable development. Furthermore, methodologies for Beyond GDP indicators are in progress, particularly in social domain due the intricacy of the monitored phenomena (Noll, 2002). However, changes and inconsistencies in data collection and indicators methodologies are inherent to measurement efforts in all domains. The Czech Republic like many other members have faced dilemma between complying with international reporting requirements and building reliable data and information system enabling long term reporting based on an agreed set of the most relevant indicators. So what is the situation in the Czech Republic with regard to the Beyond GDP indicators?

5.1 The Czech Government’s monitoring progress

The Beyond GDP term has not been widely known and used in daily practice in the Czech Republic (see e.g. Vopravil, 2009; Dubska, 2010; Dubská and Drápal, 2010). There may be more reasons for that: reluctance to novelties, the EU “diktat”, language barrier, unclear concept, different priorities, etc. Despite

many various obstacles, we have identified several initiatives that may be put into the above categorization framework. The next text presents examples of the national “Beyond GDP” initiatives:

Sustainable development indicators

In 2010, the Czech Government passed Resolution on Sustainable Development Strategy of the Czech Republic. It lays out the strategic vision of sustainable development, which relies upon five priority axes: Society, people and health; Economy and innovation; Regional development; Landscape, ecosystems and biodiversity; and Stable and secure society.

National Council on Sustainable Development (NCSD) along with Charles University have compiled goals and designated indicators for each of the priorities through which the fulfillment of the Strategy can be monitored. Progress Reports containing assessments of the state of and trends in sustainable development in the Czech Republic have been published biannually since 2004. Several indicators may be classified as alternative or belonging to the Beyond GDP indicators family, e.g.: Household material and carbon footprint; Energy intensity of GDP; Material consumption; Ecological footprint, Land and ecosystems changes; and Corruption perception index (National Council on Sustainable Development, 2012).

Green Growth report

Another initiative employing the Beyond GDP indicators is the “Green Growth in the Czech Republic” – an analysis made by the Czech Statistical Office. Its mission subsists in acquisition of data and consequent production of statistical information on social, economic, demographic, and environmental development of the state. The interest is primarily motivated by the need to assess the environmental state as well as to define and describe multiple social-demographic-environmental-economic interrelations strongly influencing economic activity, employment, foreign trade, price level, etc. The Office analyzed five themes relevant for green growth assessment and calculated 27 indicators. Some of them are new indicators looking beyond GDP, e.g. Genuine savings (Adjusted net savings); Production-based greenhouse gas productivity; Consumption-based greenhouse gas emissions; Energy productivity; Material productivity; Water use productivity; Forest growing stock volume; Green jobs; and Green patents (Havranek and Sidorov, 2011).

Healthy Cities

In 1994, eleven active cities formed an association called Healthy Cities of the Czech Republic (HCCZ). Since 1998, HCCZ member cities, towns and regions have proceeded according to a HCCZ Methodology, co-operating with a wide range of HCCZ’s expert partners, particularly Charles University, Prague. Recently, there are around 100 Healthy cities, municipalities and regions in the Czech Republic, with the regional influence on 2 233 municipalities (37% country’s population). HCCZ is presently the only association of Czech municipalities whose statutes stipulate to consistently work towards sustainable development, health and the quality of life in cities, municipalities and regions of the Czech Republic.

Contrary to many national programs the HCCZ strongly involved the citizens into the strategic planning and decision making processes in the cities. This participatory approach towards public policy making fosters the shift from government to governance. The HCCZ developed a methodology (and published methodological guidelines) for sustainability assessment at the level of municipalities and regions in 2011. The methodology establishes sustainable development categories (derived from the Aalborg Commitments) and relevant indicators as assessment tools. The cities started using the methodology in 2012 (Smutný et al., 2012).

The Public Opinion Research Centre

The Public Opinion Research Centre (Centrum pro výzkum veřejného mínění - CVVM) was established in 2001 by transferring the Public Opinion Research Institute (Institut pro výzkum veřejného mínění)

from the Czech Statistical Office. CVVM conducted ten investigations within the “Our Society 2002” survey and has been involved in the Eurobarometer surveys conducted by the European Commission. CVVM presents its work to the public as press releases on a regular basis and, several times a year, it organizes press conferences on current social and political issues. CVVM has come up with a number of new results that may contribute to “Beyond GDP” discussion in the Czech Republic, for example: information on satisfaction with the situation of public life (quality of goods and services, culture, environment, personal safety, education, health, position of the CR in EU, governance corruption, economic crime and law, unemployment, political situation, state of public finance). The surveys represent the subjective well-being category in frame of Beyond GDP surveys. Another data reveal people’s willingness to protect the environment (a survey on Opinion on environmentally friendly behavior) etc. Thus CVVM’s qualitative indicators provide important information appropriately complementing mostly quantitative indicators of many governmental agencies.

DGINS Conference and ESSC Meeting

98th DGINS Conference and 14th ESSC Meeting titled “Meeting new needs on statistics for green economy” and “Coordination of statistics and geospatial information“ was held in Prague, 24–26 September 2012. Over the past years National Statistical Institutes (DGINS) have become a valuable platform for discussing issues of the statistical program, methods and processes. Several years ago, DGINS Conference (Sofia, 2010) focused on the topic of measuring progress, well-being and sustainable development. Despite the main aim of the Prague event was to measure green economy, the task was understood as a part of the broader Beyond GDP process.

DGINS Conference is the most important forum in the European Union for discussions about the future of the European Statistical System (ESS). Besides Presidents of the National Statistical Offices and the European Commission experts presence of the United Nations and the Organisation for Economic Co-operation and Development representatives demonstrated the will and need for coordination in developing and using relevant statistics and indicators.

6 CATEGORIZATION OF THE SELECTED INDICATOR SYSTEMS

All the above initiatives – including the Czech ones – have clear “Beyond GDP” attributes and some even conceptual foundations. Several indicators are linked to the sustainable development concept, others to the quality of life or wellbeing concept. The frameworks distinguish domains of used indicators – social, economic and environmental, types of indicators – sets, aggregates and indices, types of the assessment approach – objective, subjective and certainly the level of impact. Now, there is a challenge how to categorize the described initiatives according to the “Beyond GDP” concept which might be more attractive for the public and media and amend so traditional categorization frameworks. We think that the EC approach to “Beyond GDP” initiative classification fully meets the needs for straightforward arrangement of indicators allowing uncomplicated analyses. The table below shows application of the categorization framework to the selected organizations and their indicators.

As manifested by the above table, there are several initiatives underway to develop or use new indicators, which can be employed as measures of societal well-being, as well as measures of economic, environmental and social sustainability. It seems that what is missing at the moment is better theoretical foundations of the whole theme. Many terms have got new definitions often rooted in disciplines of the proponents of the changes. Well-being is once understood as economic prosperity of the nation or country (welfare), another time it means life satisfaction (happiness) or subjective perception of physical conditions (health).

Politicians (elected decision makers), policy makers (official, administrators at all levels) as well as experts have to communicate and understand each other in a very poorly arranged terrain: There has

been neither agreed terminology nor exists a consensus on categorization or typology of the indicators. Thus, one indicator can be called economic or environmental (resource productivity), composite or index (human development index), replacing or complementing GDP (ecological footprint) etc. This chaos is boosted by an international setting where the entire debate has been taking place: Both key players in the area – OECD and EU – are prominent clubs of countries speaking 28 different languages. Translation and the newspeak of both organizations may make the whole agenda difficult to comprehend sometimes. And finally, some words may bear specific connotation as e.g. frequently used word “alternative”: It may stand for “different” (neutral, probably intended meaning of the phrase alternative indicators, but also “unusual”, “replacing” or even “marginal”).

Table 1 Beyond GDP initiatives in OECD, European Commission and the Czech Republic

	Indicators adjusting GDP	Indicators replacing GDP	Indicators supplementing GDP (based on a national accounts system)	Indicators supplementing GDP (setting social and environmental information in relation to GDP)
OECD			Contributions to SEEA (resource accounting etc.), energy accounting	Sustainability indicators (capital approach), green growth indicators, decoupling indicators, Better Life Index; etc.
EU (Eurostat, DGs, EEA ¹)			Contributions to SEEA (resource accounting etc.), land and ecosystem accounting	European Sustainable Development Scoreboard, indicators, decoupling indicators, agri-environmental indicators; etc.
Czech Government (NCSD, CZSO)	Genuine Savings (used in the context of Green Growth analyses)		Resource productivity indicators, land use accounts, ecosystem services accounts	Sustainability indicators, green growth indicators, ecological footprint, decoupling indicators; etc.

¹ The European Environmental Agency is an agency of the European Union.

Source: Own construction

Besides language-based problem due to translation, e.g. a missing apt Czech term for “beyond GDP”, there comes a certain difficulty with adoption of the whole concept. Our experience – corresponding with findings of the POINT project (Gudmundsson, 2008) – shows that decision makers, policy makers as well as the public are confused by emerging concepts complementing with re-established indicators and measurement tools.

We may assume that due to the above difficulties the Stiglitz report or other international “Beyond GDP” initiatives have never strongly resonated in the Czech settings – in politics, academic spheres, media or at the public. Nevertheless, the reporting activities of the OECD, EU and the Czech institutions show another picture. All kinds of alternative indicators have been used to some extent in official publications: some were just tested or used for a single purpose while others have been regularly published.

CONCLUSIONS AND POTENTIAL FURTHER ACTIONS

The review of literature as well as our experience show that it is not easy to develop such indicators that are clear and appealing as GDP but more inclusive of environmental and social aspects of progress. Although problems with GDP and its misinterpretation have been well known for a long time there survive significant obstacles to develop and use better indicators of progress. These obstacles involve data issues (reliability), timeliness and methodology – to mention the most important. Besides these mostly

technical issues, there is another, probably the most important barrier – people’s system of values. In other words, we measure what we think is important. Indicators should reflect the societal change after the changes really happen, i.e. when people change their choices, values and goals. The observation has shown a reverse process: while the economic performance is what moves the world round, the “Beyond GDP” initiatives wish to report on other, sometimes hardly measurable aspects of progress.

The “Beyond GDP” concept has opened various opportunities (adjusting, replacing or complementing the GDP indicator). In our opinion it would be very difficult – if possible at all – to replace the GDP indicator nowadays. Although its methodology is complicated and people do not fully understand which variables come to the calculation, the everyday presentation of GDP in the media (in different contexts) teaches them to perceive the number as important information for their lives. People usually have a simple association – if GDP is rising, my quality of life will be better; if GDP is falling, hard times will come. This interpretation is not absolutely correct and it does not stand universally (during 1950–1970 increase in mean welfare stagnated or even reversed into a negative trend in most western countries despite a steady GDP growth (Van den Bergh, 2009), but it provides quick navigation in difficult economic settings.

This article could not solve many problematic issues that are not only of methodological or data character. Human values, fetish of the economic growth, short-sightedness of policy cycles and other important issues must be publicly debated and a broad consensus must be built about them. This article is rather a contribution opening a needed debate that is still in its infancy in the Czech Republic (other reading e.g. Křovák and Ritschelová, 2008). We recommend switching to better/alternative indicators of progress by using the existing indicators and developing new ones in new (“Beyond GDP”) contexts without ambitions to develop a perfect indicator – that includes all social, economic and environmental aspects – that could replace GDP. It is not effective to organize scientific conferences for that idol indicator, convincing there the already convinced and arguing about details while the whole concept of alternative indicators needs more precise shape. It seems that feasible (workable and relatively fast) way to show people also other than economic aspects of their life could likely be complementing the GDP with other indicators. “Beyond GDP” concept might be than very appropriate promotion of various already existing social and environmental indicators. However, it will imply a great shift in people’s thinking and not only re-naming current indicators. It will require development of the “Beyond GDP” – or rather the “GDP and beyond” – concept (manifesting the rhetorical shift from replacing to complementing GDP) hand in hand with the whole system of indicators complementing the GDP information. Such system could serve as real description of the quality of life in the Czech Republic. At times of economic crises – when GDP is stagnating or rising slow – people will learn to appreciate other positive aspects of their lives as a good quality of the natural environment, effective educational system or accessible healthcare.

It is encouraging to see that there is an adequate capacity and expertise internationally as well as in the Czech Republic to cooperate effectively and contribute to work in this area.

ACKNOWLEDGMENTS

This work has been supported by a collaborative project BRAINPOol funded by the European Commission under the FP7 Programme (Contract No. 283024) and by Program “Environmental Research” (PRVOUK) funded by Charles University.

References

-
- BERGH, Van den, J. C. J. M. The GDP Paradox. *Journal of Economy Psychology*, 2009, 30, pp. 117–135.
- BOOYSEN, F. An Overview and Evaluation of Composite Indices of Development. *Social Indicators Research*, August 2002, Volume 59, Issue 2, 2002, pp. 115–151.
- BOSSEL, H. *Indicators for Sustainable Development: Theory, Method, Applications*. A Report to the Balaton Group. International Institute for Sustainable Development, 1999.

- COSTANZA, R. Beyond GDP: The Need for New Measures of Progress. *The Pardee Papers*, No. 4, January 2009, Boston University.
- DUBSKÁ, D. *The New Paradigm – Why is it Important to Measure the Progress of Societies?* „Measuring the Well-being and the Progress of Society“ Conference. November 2010, Radenci, Slovenia.
- DUBSKÁ, D., DRÁPAL, S. Měření pokroku, vytváření vizí, zlepšování života (Measuring the Progress, Creating the Visions, Improving the Life). *Statistika*, 2/2010, pp. 179–183.
- EUROPEAN COMMISSION. *European Commission Goes Beyond GDP* [online]. EC, 2012. [cit. 20.10.2012]. <http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/European_Commission_goes_beyond_GDP>.
- EUROPEAN COMMISSION. *GDP and Beyond: Measuring Progress in a Changing World*. COM final 433/2009. EC, 2009.
- EUROSTAT. *Sustainable Development in the European Union — 2011 Monitoring Report of the EU Sustainable Development Strategy*. Luxembourg: Publications Office of the European Union, 2011.
- GLOBESCAN. *Continued Public Support for Going Beyond GDP: Global Poll* [online]. GLOBESCAN, 2011. [cit. 21.3.2013]. <<http://www.globescan.com/commentary-and-analysis/press-releases/press-releases-2011/94-press-releases-2011/152-continued-public-support-for-going-beyond-gdp.html>>.
- GOSENS, Y., MÁKIPÁĀ, A., SCHEPELMANN, P., Van de SAND, I., KUHNDTAND, P., HERRNODORE, M. *Alternative Progress Indicators to GDP as a Means towards Sustainable Development*. European Parliament, Policy Department study. IP/A/ENVI/ST/2007-10, Brussels: European Parliament, 2007.
- HÁK, T., JANOUŠKOVÁ, S., ABDALLAH, S., SEAFORD, CH., MAHONY, S. *Review Report on Beyond GDP Indicators: Categorisation, Intensions and Impacts*. Final Version of BRAINPOoL deliverable 1.1, a collaborative project funded by the European Commission under the FP7 Programme (Contract No. 283024) [online]. BRAINPOoL, 2012. [cit. 20.10.2012]. <http://www.czp.cuni.cz/czp/images/stories/Projekty/BRAINPOoL_Review_report_Beyond-GDP_indicators.pdf>.
- HAVRÁNEK, M., SIDOROV, E., eds. *Green Growth in the Czech Republic. Selected Indicators*. Prague: Czech Statistical Office, 2011.
- KŘOVÁK, J., RITSCHELOVÁ, I. Za (rámeč) HDP: měření pokroku, skutečného bohatství a blahobytu národů (Behind the GDP (Framework): Measuring of the Progress, True Wealth and Welfare of the Nations). *Statistika*, 3/2008, 274–277.
- KUZNETS, S. How To Judge Quality. *The New Republic*. October 20, 1962.
- MILLENNIUM ECOSYSTEM ASSESSMENT. *Ecosystems and Human Well-being: Synthesis*. Washington, DC: Island Press, 2005.
- MOLDAN, B., HÁK, T., KOVANDA, J., HAVRÁNEK, M., KUŠKOVÁ, P. Composite Indicators of Environmental Sustainability. *Statistics, Knowledge and Policy: Key Indicators to Inform Decision Making*. Proceedings from the international conference OECD World Forum on Key Indicators, 10–13 November 2004, Palermo, pp. 154–163.
- NATIONAL COUNCIL ON SUSTAINABLE DEVELOPMENT. *Monitoring Report on the Strategic Framework for Sustainable Development in the Czech Republic*. NCSD and Ministry of Environment, 2012.
- NEW ECONOMICS FOUNDATIONS. *The Happy Planet Index: 2012 A Global Index of Sustainable Well-being*. London: NEF, 2012.
- NOLL, H. H. Social Indicators and Quality of Life Research; Background, Achievements and Current Trends. In GENOV, N., eds. *Advances in Socio-logical Knowledge over Half a Century*, Paris: ISSC, 2002.
- OECD. *Your Better Life Index* [online]. Paris: OECD, 2012. <<http://www.oecdbetterlifeindex.org>>.
- ROCKSTRÖM, J. et al. Planetary Boundaries: Exploring the Safe Operating Space for Humanity. *Ecology and Society*, 2009, 14(2), art. 32.
- SALTELLI, A., JESINGHAUS, J., MUNDA, G. *Well Being Stories* [online]. Contribution to the Experts Workshop at the Beyond GDP Conference, EU Parliament, Brussels, 19–20 November 2007. [cit. 21.3.2013]. <http://www.beyond-gdp.eu/download/beyond-gdp_wb_stories.pdf>.
- SMUTNÝ, M., ŠVEC, P., MUSIL, M., BOUŠKOVÁ, J., PETROVÁ, M. eds. *Metodika hodnocení kategorie „A“ Místní agendy 21 (Evaluation Methodology of the Category “A” of the MA21)* [online]. 2012. [cit. 21.3.2013]. <http://dataplan.info/img_upload/f96fc5d7def29509aefc6784e61f65b/metodika_a_ma21_final_verze1.1_duben-2012.pdf>.
- STIGLITZ, J., SEN, A., FITOUSSI, J. P. *Report by the Commission on the Measurement of Economic Performance and Social Progress*. 2009.
- UNDP. *A Survey of Composite Indices Measuring Country Performance: 2008 Update*. UNDP/ODS Working Paper. New York: Office of Development Studies, 2008.
- UNEP. *Inclusive Wealth Report 2012*. UNEP, UNU-IHDP, Cambridge University Press, 2012.
- UNITED NATIONS. *Earth Summit Agenda 21. The United Nations Programme of Action from Rio*. New York: United Nations Department of Public Information, 1992.
- UNITED NATIONS. *Realizing the Future We Want for All*. Report to the Secretary-General. New York: UN System Task Team on the Post-2015 UN Development Agenda, 2012.
- UNITED NATIONS. *Report of the World Summit on Sustainable Development*. Johannesburg, South Africa, 26 August–4 September 2002. New York: United Nations, 2002.
- VOPRAVIL, J. Global Projekt „Measuring the Progress of Societies“. *Statistika*, 3/2009, pp. 275–279.
- WORLD COMMISSION ON ENVIRONMENT AND DEVELOPMENT. *Our Common Future*. World Commission on Environment and Development, Oxford: Oxford University Press, 1987.