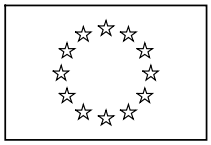

COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION

Structural indicators

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EXECUTIVE SUMMARY

Proposal for the list of indicators for the Spring Report 2004.

This Communication presents the Commission's proposal for the list of structural indicators for the Spring Report 2004. The Communication also describes the progress made over the last year in improving the structural indicators.

A shortlist of structural indicators.

Unlike in earlier years, the Commission is proposing a shortlist of only 14 structural indicators. The shortlist makes it easier to present policy messages and the Member States' positions relative to the key Lisbon targets in the Spring Report thus helping to maintain the momentum of the Lisbon strategy. In keeping with the recent streamlining of documents for the Spring European Council it is proposed that the list of indicators is agreed for three years.

A publicly-accessible database and website.

To accompany the shortlist of indicators, a publicly-accessible database and website contain a longer list of structural indicators. This will allow the Spring Report to draw on a wider set of indicators and ensure that the public continues to have access to the detailed Eurostat database and website on structural indicators which have been put together since the Lisbon European Council. The database indicators should play an important role in the EU's policy processes.

Much progress has been made on developing and improving indicators.

The Commission services have continued to develop new indicators and to improve the quality of the existing indicators. The country coverage, length of time series and quality of the existing structural indicators has increased. In addition, progress has been made in developing new indicators for possible inclusion in the database reflecting the EU's policy priorities. The Commission services will continue to develop indicators across a wide range of areas over the next year.

COMMUNICATION FROM THE COMMISSION

Structural indicators

I. INTRODUCTION

1. The Lisbon European Council invited "the Commission to draw up an annual synthesis report on progress on the basis of structural indicators to be agreed relating to employment, innovation, economic reform and social cohesion." (§36). In each of the last three years the Commission and the Council have agreed a set of structural indicators. This annual Communication on structural indicators presents the Commission's revised approach. The final list of structural indicators, agreed with the Council, should be approved at the European Council in December 2003.

2. The content of this Communication is as follows: section II presents the revised approach to the structural indicators; section III presents the Commission's recommendation for the list of structural indicators for the 2004 Spring Report; section IV presents the database and the Commission's ongoing work on structural indicators; and section V provides a short conclusion. Annex 1 provides technical details on the list of structural indicators. Annex 2 provides more details on the Commission's work to improve the structural indicators.

II. THE REVISED APPROACH TO THE STRUCTURAL INDICATORS

3. The structural indicators have been successful in several ways. They have been used in the Commission's Spring Report and other Commission documents to provide statistical support for policy messages and to measure progress towards the Lisbon objectives (as expanded at Gothenburg and refined at subsequent European Councils). The structural indicators have also attracted a lot of outside attention being one of Eurostat's most popular websites. Indeed, the Member States have used the structural indicators in their own reports, such as their national "Cardiff" reports on economic reform.

4. However, the number of structural indicators has tended to increase over the past 3 years thus making it more difficult to draw a clear picture on progress towards the Lisbon objectives. Recognising this issue the Spring 2003 European Council Conclusions noted the Commission's intention, in close co-operation with the European Statistical System, "*to report in time for the 2004 Spring European Council on how the use of structural indicators and other analytical tools for assessing progress on Lisbon strategy could be strengthened"* (§18). As a first response to this request, the Commission is proposing its set of structural indicators in the form of a shortlist of only fourteen indicators.

5. The indicators on this shortlist have been chosen from last year's 42 agreed structural indicators. Last and previous years' structural indicators are maintained by Eurostat in its publicly-accessible database New Cronos and on the structural indicators website. The shortlist of indicators and the database will continue to be the main statistical tools the Commission uses when drafting the Spring Report. This approach involves a high degree of continuity with previous years which at the same time

reflects the great effort which has been put into improving the quality of the structural indicators and developing new indicators.

6. The Commission also proposes to agree the shortlist of structural indicators every three years. This is in accordance with the recent streamlining of documents for the Spring European Council, whereby the main implementation documents for the Lisbon strategy (the Broad Economic Policy Guidelines, the Employment Guidelines and the Internal Market Strategy) are agreed for three years. However, the shortlist could be modified if an important new policy priority was identified.

7. The proposed shortlist of indicators has several advantages. First, the main purpose of the structural indicators, as stated in the Lisbon European Council conclusions, is to allow for an assessment of progress towards the Lisbon objectives in the Commission's Spring Report. A shortlist of indicators makes it **easier to present** a clear picture of the Member States' positions relative to the most important Lisbon targets. This clarity will help to maintain the momentum of the Lisbon strategy. Using a smaller number of indicators it is also possible to achieve a better coverage of the acceding and candidate countries and to present information on both levels and changes in performance more easily.

8. Second, the proposed list of indicators includes well-known and **easy-to-understand indicators**. These indicators are more accessible to the general public as they are familiar and their drawbacks are also better known.

9. Third, the shortlist of indicators has a clearer **logic**. Therefore the policy messages drawn from the progress assessment based on the structural indicators will be soundly based. Last year's list of 42 indicators had lost much of its original logic through revisions over the past 3 years.

10. Fourth, agreeing the list of indicators every three years fits with the **streamlined procedure** for the Broad Economic Policy Guidelines, the Employment Guidelines and the Internal Market Strategy. To avoid a loss of flexibility the shortlist of 14 indicators will be supplemented by the structural indicators database and, when necessary, the more detailed indicators used in the streamlined policy processes.

11. Finally, the **stability** of the list will be ensured by agreeing it once every 3 years. As structural issues develop only slowly over time and as several of the indicators are key Lisbon targets, it seems wise not to reconsider the list each year. On the other hand there will be more flexibility to allow newly developed indicators to be included in the database of structural indicators.

III. THE LIST OF INDICATORS

12. This section presents the Commission's proposed list of 14 structural indicators. The list is based on the political priorities of the Lisbon strategy as elaborated by the European Council.

13. The list of structural indicators meets the criteria which have been used for the structural indicators over the last 3 years. The indicators are: (1) easy to read and understand; (2) policy relevant; (3) mutually consistent; (4) available in a timely fashion; (5) available for most, if not all Member States, acceding and candidate countries; (6) comparable between these countries and, as far as possible, with other

countries; (7) selected from reliable sources; and (8) do not impose too large a burden on statistical institutes and respondents.

The structural indicators proposed for the Spring Report 2004	
Indicators	**Country coverage**
1. GDP per capita	Full coverage[1]
2. Labour productivity	Full coverage
3. Employment rate*	Full coverage
4. Employment rate of older workers*	Full coverage
5. Spending on human resources (public expenditure on education)	15 MS + 12 ACC
6. Research and Development expenditure	15 MS + 12 ACC
7. Information Technology expenditure	15 MS + 11 ACC
8. Financial market integration (convergence in bank lending rates)	Not applicable (measured by the variation across available countries)
9. At risk-of-poverty rate*	Full coverage
10. Long-term unemployment*	Full coverage
11. Dispersion of regional employment rates	12 MS + 6 ACC[2]
12. Greenhouse gases emissions	Full coverage
13. Energy intensity of the economy	Full coverage
14. Volume of transport	15 MS + 11 ACC

* Indicators disaggregated by gender.

14. The list of indicators is balanced to reflect the importance that Lisbon and Gothenburg placed on the domains of employment, innovation and research, economic reform, social cohesion and the environment. The following paragraphs explain the reasoning behind the choice of each indicator for the shortlist.

15. **GDP per capita** is the most common measure of the standard of living. If the EU is *"to become the most competitive and dynamic knowledge-based economy in the world"*, the gap in GDP per capita with our main competitors needs to be eliminated. A high level of GDP per capita is also important to provide the resources to promote social cohesion and to protect the environment. It is therefore important that we understand the underlying causes of our GDP growth performance and whether it is sustainable. Other indicators in the list cover the most important factors driving GDP growth.

[1] "Full coverage" means data are available for all 15 Member States (MS) and all 13 acceding or candidate countries (ACC).

[2] Calculated using NUTS2 regions and hence not applicable for 3 MS and 6 ACCs.

16. **Labour productivity** per person is a main indicator of EU competitiveness. Output can be raised through more labour input or more output per unit of labour input (labour productivity), which is driven by capital and technology. Raising labour productivity is particularly important for sustaining growth during a period of ageing populations.

17. The **employment rate** is a summary measure of the use of labour in the economy. There is considerable scope for the EU to raise its employment rate and hence to raise output and living standards. Lisbon set a target of raising the EU's employment rate to 70 per cent by 2010, which reflected the broader goal of achieving "*growth with more ... jobs*". Moreover, employment promotes social cohesion, which was clearly recognised in the Lisbon European Council conclusions: *"the best safeguard against social exclusion is a job"* (§32).

18. The **employment rate of older workers** is particularly low in the EU. Raising the employment rate of older workers is essential in order to achieve a higher overall employment rate (hence raising output and living standards). It also increases social cohesion through a better integration of older workers in the labour force and helps ensure the sustainability of economic growth by tackling the problems resulting from ageing populations. Lisbon set a target of raising the EU's employment rate of older workers to 50 per cent by 2010.

19. **Spending on human resources**, here defined as public expenditure on education, measures the amount of resources devoted to improving human capital. If the resources are used efficiently, spending on human resources increases the productivity of workers contributing to higher living standards. In addition, spending on human resources is important for social cohesion by ensuring that everyone has access to the education and training they need to participate in an increasingly knowledge-based society.

20. **Research and development spending** is essential for making the transition to a knowledge-based economy as well as for improving production technologies and raising growth. Recognising the benefits of R&D for growth and aware of the rapidly widening gap between Europe's R&D effort and that of our principal partners in the world, the Barcelona European Council set the EU a target of increasing R&D expenditure to 3 per cent of GDP by 2010, two thirds of which should come from the private sector.

21. **IT expenditure** is included in the shortlist to reflect the importance of IT for productivity growth in the knowledge-based economy. Research is continuing into the explanations for the differences in productivity growth since the mid-1990s between the EU and the US and among the EU's Member States. However, there is a consensus emerging that the United States' superior productivity performance has to a large extent been driven by IT-producing and IT-using industries. This finding supports the emphasis the Lisbon European Council put on making the EU "the most competitive and dynamic knowledge-based economy in the world" by 2010.

22. **Financial market integration** is a key part of the Lisbon agenda of economic reform. An integrated financial market facilitates access to finance and reduces its cost. Market integration of financial service markets should bring about a **convergence in bank lending rates**. This indicator will be significantly improved by

the entry into force of Regulation ECB/2001/18 that will allow the European Central Bank to collect harmonised time series across countries.

23. The **at-risk-of-poverty rate**, which is defined as the share of the population below a defined poverty line according to equivalised disposable income, measures the risks of poverty and social exclusion. This indicator is in accordance with the Lisbon European Council's high priority on social cohesion.

24. Reducing **long-term unemployment** is important for achieving the Lisbon goal of *"greater social cohesion"*, because the long-term unemployed face a high risk of social exclusion. The long-term unemployment rate also reflects structural problems in the labour market, which lead to an under-utilisation of human resources. In addition, reducing long-term unemployment is important from a human capital perspective, because the long-term unemployed become detached from the labour market and lose their skills.

25. Increasing regional cohesion by reducing regional disparities as measured by the **dispersion of regional employment rates** has long been an aim of EU policy. Ensuring all regions enjoy high levels of employment is important both for raising employment and output across the economy and for improving social cohesion.

26. A degradation of the natural environment has negative effects on the sustainability of economic growth. In addition, it may have a direct negative effect on welfare. Climate change may cause significant disruption to economic activity with consequent social effects, and may also threaten environmental resources such as biodiversity. The indicator **greenhouse gases emissions** measures whether the EU's growth is sustainable in terms of its potential impact on climate change. The EU has clear targets for reducing greenhouse gases emissions.

27. The **energy intensity of the economy** measures the decoupling of energy use from GDP growth and shows the extent to which energy is being used more efficiently in the creation of wealth. Energy use from non-renewable resources can have a damaging effect on the environment and on the sustainability of economic growth, therefore it is important to use energy resources efficiently.

28. The **volume of transport to GDP ratio** measures the decoupling of freight transport growth from real GDP growth. Rising volumes of traffic can damage the environment and economic growth through rising levels of congestion, noise and pollution. The full internalisation of the social and environmental costs of transport should promote a significant decoupling of transport growth and GDP growth.

IV. THE DATABASE AND IMPROVEMENTS TO THE STRUCTURAL INDICATORS

29. Since last year's Communication the Commission has continued to improve the quality of the structural indicators used in the Spring Report 2003; to integrate the acceding and candidate countries more fully into the structural indicators; to develop new indicators on structural issues; and to develop a more detailed quality assessment procedure for the structural indicators.

30. Last year's list of 42 structural indicators, consisting of 107 indicators when including disaggregations and sub-indicators, will be kept in a database managed by Eurostat[3] and on the structural indicators website[4]. The database will be a statistical tool for the Commission to use when drafting the Spring Report but the shortlist of indicators will provide the main framework of statistical reference for the Spring Report. The proposal for the database consolidates current practice because Eurostat already maintains a structural indicators database.

31. The database has several other advantages. Firstly, decisions to include indicators or remove them from the database will be based on technical criteria, taking into account policy relevance and the work done by the Commission services, Eurostat and the Council working groups. This will help improve the overall statistical quality of the indicators in the database. The Commission working group on structural indicators will reassess the contents of the database annually in line with this approach. Secondly, there will be more flexibility in the contents of the database because not all of the indicators will have to be presented in the Spring Report. However, there will still be a need for stability in the content of the database to allow for the measurement of progress over time as requested by the Council and to allow for a process of continuous improvement of the indicators. Thirdly, the database will be more transparent to the public because merged indicators, for example "market integration" (consisting of "the convergence of interest rates" and "trade integration") and "protection of natural resources" (consisting of "fish stocks in European marine waters" and "protected areas for biodiversity"), can be split into their constituent indicators which have more self-explanatory names. Fourthly, the database means that sub-indicators will not be required in the shortlist because disaggregations can be kept in the database.

32. As regards improvements to the quality of the structural indicators, Eurostat has been working closely with the other Commission services and with the European Statistical System on a wide range of indicators. Over the last year Eurostat has improved the country coverage (especially for the acceding and candidate countries), time series and quality of the data for many of the existing structural indicators. Moreover, Eurostat has continued to improve its publicly accessible internet site which contains detailed methodological information as well as time series data for all the structural indicators. More details are provided in annex 2.

33. The Commission Communication on structural indicators (October 2002) presented twenty-one indicators to be developed. A summary of the progress made since the last Communication is provided in annex 2. Some of the indicators to be developed could be included in the database of structural indicators. The decision on which indicators to include in the database will be based upon technical criteria.

34. Finally, Eurostat in co-operation with the European Statistical System is currently working on a procedure to attach a quality profile to the structural indicators based on a set of user-oriented quality criteria[5]. It would be issued by Eurostat in co-operation with the European Statistical System making use of existing working

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3 To access Eurostat's New Cronos database please contact Estat-DataShopSupport@cec.eu.int.

4 http://europa.eu.int/comm/eurostat/structuralindicators

5 These quality criteria are derived from the joint Eurostat and European Statistical System definition of quality.

structures. The profile will help to base decisions for including or removing indicators from the database on technical criteria.

V. CONCLUSION

35. The approach presented in this note has the twin advantages that (1) the list of 14 indicators makes it easier to present the results in the Spring Report and increases the political visibility of the structural indicators and (2) the database with a longer list of structural indicators allows the Commission more flexibility in selecting indicators for its analysis in the Spring Report.

ANNEX 1 – Definition, Source, Availability and Policy Objective behind the 14 structural indicators

Indicator	Definition	Source	Availability #	Overall policy objective
1. GDP per capita in PPS	GDP per capita in Purchasing Power Standard (PPS), EU15 =100.	Eurostat; National Accounts.	Coverage: all MS, all ACCs, US, Japan, Iceland and Norway. Time series: 1991-2001 (forecasts for 2002-04).	Standard of living. Social and environmental welfare.
2. Labour productivity per person employed	GDP in PPS per person employed, EU15=100.	Eurostat; National Accounts and OECD.	Coverage: all MS, all ACCs, US, Japan, Iceland and Norway. Time series: 1991-2001 (forecasts for 2002-04).	Overall efficiency of the economy.
3. Employment rate *	Employed persons aged 15-64 as a share of the total population of the same age group.	Eurostat; Labour Force Survey.	Coverage: all MS, all ACCs, Iceland and Norway. No comparable data for the US and Japan. Time series: 1990 – 2001.	Full employment. Combating social exclusion.
4. Employment rate of older workers *	Employed persons aged 55-64 as a share of the total population of the same age group.	Eurostat; Labour Force Survey.	Coverage: all MS, all ACCs, Iceland and Norway. No comparable data for the US and Japan. Time series: 1990 – 2001.	Full employment. Combating social exclusion.
5. Spending on human resources (public expenditure on education)	Total public expenditure on education as a percentage of GDP.	Joint Unesco / OECD / Eurostat questionnaire.	Coverage: All MS, all ACCs (except SI), US, Japan, Iceland and Norway. Time Series: 1993-2001.	Quality of human resources.
6. R&D expenditure	Gross domestic expenditure on research and development (GERD) as a percentage of GDP.	Eurostat questionnaire.	Coverage: all MS, all ACCs (except MT), US, Japan, Iceland and Norway. Time Series: 1991-2000 (2001 and 2002 for some MS).	R&D effort.

"Time series" describes those years for which data are available in most of the Member States.

* Indicator disaggregated by gender.

MS = EU Member States, ACCs = Acceding and candidate countries.

Indicator	Definition	Source	Availability	Overall policy objective
7. IT expenditure	Expenditure on Information Technology as a percentage of GDP.	OECD / World Information Technology and Services Alliance (WITSA) / International Data Corporation (IDC) / European Information Technology Observatory (EITO)	Coverage: All MS, all ACCs (except CY and MT), US, Japan and Norway. Time Series: 1991-2002.	Diffusion of ICT.
8. Financial market integration (convergence in bank lending rates)	Coefficient of variation across countries on annual interest rates charged on short-term corporate debt.	DG MARKT and Eurostat based on data from the European Central Bank and national central banks.	Coverage: 12 MS. Time series: 1993-2002.	Financial market integration.
9. At risk-of-poverty rate*	Share of persons with an equivalised disposable income below the risk-of-poverty threshold after social transfers. The threshold is set at 60% of the national median equivalised disposable income (after social transfers).	Eurostat; European Community Household Panel (ECHP)	Coverage: All MS, all ACCs. No data for US and Japan. Time series :1995-2000 (2001 for some countries)	Combating poverty and social exclusion.
10. Long-term unemployment rate *	Total long-term unemployed (over 12 months) as a percentage of the total active population aged 15-64.	Eurostat; based on Labour Force Survey.	Coverage: All MS, all ACCs, US, Japan, Iceland and Norway. Time series: 1990-2001.	Full employment. Combating social exclusion.
11. Dispersion of regional employment rates	Coefficient of variation of employment rates across regions (NUTS 2 level) within countries.	Eurostat; based on Labour Force Survey.	Coverage: All MS except DK, IRL and LUX. No data for French DOM. Data on BG, CZ, HU, PL, RO and SK of the ACCs. No US, Japan, Iceland and Norway data. Time series: 1996-2001.	Cohesion.

Indicator	Definition	Source	Availability	Overall policy objective
12. Total greenhouse gases emissions	Percentage change in emissions of 6 main greenhouse gases (CO_2, CH_4, N_2O, HFCs, PFCs and SF_6) since base year and targets according to Kyoto Protocol / EU Council Decision for 2008-2012. Index base year = 100, expressed in CO_2-equivalents.	European Environment Agency.	Coverage: all MS, all ACCs, US, Japan, Iceland and Norway. Time series: 1990-2000	Limit climate change and implement the Kyoto Protocol.
13. Energy intensity of the economy	Gross inland consumption of energy divided by GDP (at constant prices, 1995 = 100).	Eurostat; energy statistics.	Coverage: all MS, all ACCs, US, Japan, Iceland and Norway. Time series: 1991-2001.	Use energy more efficiently.
14. Volume of freight transport relative to GDP	Index of freight transport volume relative to GDP. Measured in tonne-km/GDP and indexed on 1995.	Eurostat; transport statistics	*Coverage*: all MS, all ACCs (except CY and MT), US, Japan, Iceland and Norway. Time series: 1991-2001.	Decouple transport growth from economic growth.

ANNEX 2 – IMPROVING THE STRUCTURAL INDICATORS

1. This annex describes progress made with respect to improving the structural indicators since last year's Commission Communication was published in October 2002. It also presents the new list of indicators to be developed.

2. Eurostat has been working with the other Commission services and with Member States' National Statistical Institutes to **improve the quality of last year's list** of 42 indicators. Over the last year Eurostat has improved the country coverage (especially for the acceding and candidate countries), time series and quality of the data for many of the existing structural indicators.

3. Eurostat has continued to improve its **publicly accessible internet site** which now contains detailed methodological information as well as the data for all the structural indicators. The structural indicators website has consistently ranked among the most visited at Eurostat's website.

4. Eurostat and the Commission services have also continued their work on **last year's list of indicators to be developed**. Details on the indicators are provided below.

Composite indicators

5. The Commission services, including Eurostat and the Joint Research Centre, have continued their work on **composite indicators** since last year. In particular, progress has been made in the domain of innovation and research on two composite indicators: "investment in the knowledge-based economy" and "performance in the transition towards the knowledge-based economy". These two composite indicators were included in DG Research's Key Figures 2002 report which was published in November 2002 and in the Third European Report on Science and Technology Indicators published in March 2003[6]. These reports presented an analysis of the two composite indicators and the conclusions which could be drawn from them.

6. The Commission services are also developing a composite indicator on "e-business readiness" which comprises sub-indicators on how much use businesses make of digital technologies for various business processes such as banking, managing orders, buying and selling. The methodological work is underway and the first data for constructing the indicator should be available early in 2004. Work on other composite indicators such as the Internal Market Index[7] has continued.

General Economic Background

7. Indicators on **potential output** and **total factor productivity** calculated using a production function approach have now been developed. However, a small number of Member States still have some problems with the use of these indicators in the EU's policy processes.

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[6] http://www.cordis.lu/rtd2002/indicators/home.html

[7] Internal Market Scoreboard No. 11, DG MARKT publication, November 2002. http://europa.eu.int/comm/internal_market/en/update/score/score11/im-index-2002_en.pdf

Employment

8. Following the adoption by the Council in July 2003 of the new Employment Guidelines 2003-2006, the Employment Committee is currently reviewing the list of employment-related indicators to be used to monitor the Guidelines' implementation. A revised list is expected.

9. The Employment Committee is in particular reviewing the indicator on **vacancies**, which could give indications of bottlenecks and labour shortages on the labour market by sector. Progress is being made on the Eurostat Job Vacancy survey. Eurostat has started to collect quarterly data on job vacancies on the basis of a business survey with back data from the first quarter of 2001. Coverage of the Member States will be improved between now and mid-2004.

10. The Commission, working with the OECD, has now developed an indicator of the **marginal effective tax rate** relating to the unemployment trap for a single individual moving from unemployment to work earning 67% of the average production worker's wage. The Commission is still developing an indicator on the marginal effective tax rate relating to the poverty trap.

11. The Barcelona European Council established targets for **childcare facilities**. A study on comparable statistics in the area of childcare will soon be finalised covering the development of a methodology for data collection and common definitions as well as the collection of national statistics. A variable on childcare will be included in the new EU-SILC (European Union Statistics on Income and Living Conditions) survey with questions on the type of childcare and the number of hours of care per week. This will allow for the calculation of the indicator from a Community source, probably by the end of 2003 for some Member States and a large number of countries by the end of 2005. Some national data on childcare are already available from Member States' National Action Plans.

12. Several indicators of the **quality of work** are already included in the database of structural indicators such as life-long learning and accidents at work. Nevertheless, work is continuing to develop indicators on other aspects of the quality of work.

Innovation and Research

13. Eurostat is currently in the process of consulting national authorities on the possibility to develop a consistent times series covering **public and private expenditure on human capital**.

14. Several indicators on **e-commerce** are being used in the e-Europe framework, all stemming from official statistics. The data currently cover the existing Member States but are expected to cover the acceding and candidate countries from 2004 onwards.

15. As stated in last year's Communication the indicator **e-government** is defined as the average percentage of public services available on-line. The indicator has been used successfully in the Commission's e-Europe benchmarking process. Data for October 2001

and April 2002 are already available at the Commission's website[8] and an update of the data is currently underway.

16. A project is under way at Eurostat to construct a coherent conceptual framework for measuring **ICT expenditure and investment**. The project aims at defining the variables to be collected and identifying the vehicles for collecting the data. First results from the piloting phase should be available by the end of 2004. Moreover, an appraisal of existing sources and recommendations for future data collection are expected by the end of 2003.

17. An indicator measuring **broadband internet access** is being developed. Widespread availability of broadband internet access is a main objective of the eEurope 2005 Action Plan which was endorsed by the Seville European Council.

Economic Reform

18. Harmonised data on **business demography** were first published by Eurostat in March 2003. In the most recent publication there are data on "enterprise births", "the survival rates of newly-born enterprises" and "enterprise deaths" covering 10 Member States for the years 1997 to 2000.

19. As regards the **cost of capital** and **financial integration**, the Commission services have continued efforts to develop indicators for the monitoring of financial services and capital markets. The biannual implementation reports of the Financial Services Action Plan include other indicators mapping integration in these markets (for example, cross-border bank deposits or portfolio diversification) as well as other key aspects of performance such as efficiency in stockmarkets (bid-ask spreads), mergers and acquisitions and financial stability indicators.

Social Cohesion

20. The Social Protection Committee's "Report on Indicators in the field of poverty and social exclusion", containing a list of 18 common indicators, was endorsed by the Laeken European Council in December 2001. Following from this work, indicators are being developed on, for instance, health, housing and living conditions. For the Spring Report 2004, data for 2001 for the social cohesion indicators based on the European Community Household Panel are expected to be available. In the future, such indicators will be based on the "Statistics on Income and Living Conditions" (EU-SILC) which is expected to provide data with a shorter (two-year) lag.

21. **Regional GDP per capita in PPS** is available and used by the Commission in its policy processes. However no progress has been made regarding the development of regional price indices due to the high estimated cost.

Environment

22. Six indicators to be developed on the environment were included in last year's Communication. The March 2003 European Council conclusions (§57) placed particular emphasis on the importance of "*improving environment-related structural indicators*" as a

[8] http://europa.eu.int/information_society/eeurope/benchmarking/list/2002/index_en.htm

way of helping to deliver the full set of reforms proposed at the Gothenburg European Council.

23. **Consumption of toxic chemicals**, is being developed as part of Eurostat's on-going project on a set of chemicals indicator. A group of experts is currently working to identify appropriate indicators and methodology to measure the risk posed by the use of chemicals in society. The indicator is dependent on information on chemicals becoming available via the REACH database. Therefore any delay in implementing REACH (Registration, Evaluation and Authorisation of Chemicals – the system to implement the EU's "Strategy for a future Chemicals Policy") will affect the feasibility of this indicator. A final report is expected by the end of 2004. To reflect better the content of the indicator, it is proposed to rename it "chemicals".

24. In July 2003, the newly established Network of Competent Authorities on Health Information and Knowledge studied a proposal for a recommended set of first phase core indicators on health status. The set includes an indicator to measure **healthy life years**. The final endorsement of the definition of the indicator is expected later in 2003. The elements to calculate this indicator are now contained in the Minimum European Health Module included in EU SILC (Statistics on Income and Living Conditions) for which routine data collection will start in 2004 in the Member States and 2005 in the acceding and candidate countries. Before having EU SILC data available, for a transition period, some national sources could be used.

25. Work on a **biodiversity index** is continuing under the Biodiversity Implementation Indicators for the Community Biodiversity Action Plans (BIO-IMPS project). This indicator differs from the existing structural indicator "protected areas for biodiversity" which itself is being improved to include more qualitative aspects.

26. Data on **resource productivity** for certain resources such as electricity generation are already available. The Commission will launch a study on indicators to support the Integrated Product Policy (IPP) in 2003. The forthcoming strategy on resources will also consider developing similar indicators.

27. As regards both **the recycling rate of selected materials** and **generation of hazardous waste** the recently adopted Waste Statistics Regulation should provide harmonised statistics with improved country coverage, timeliness and quality from 2006 onwards.

New list of indicators to be developed

28. The new list of indicators to be developed consists of indicators retained from last year's list which have not yet been fully developed. Those indicators which are sufficiently well developed have been included in the database of structural indicators. This concerns the unemployment trap, business demography and e-commerce.

List of indicators to be developed
Composite indicators
General economic background 1. Potential output 2. Total factor productivity
I. Employment 3. Vacancies 4. Quality of work 5. Poverty trap (marginal effective tax rate) 6. Childcare facilities
II. Innovation and research 7. Composite indicators on the knowledge-based economy 8. Public and private expenditure on human capital 9. E-government 10. ICT investment 11. Broadband internet access
III. Economic Reform 12. Cost of capital 13. Financial integration
IV. Social Cohesion 14. Regional GDP per capita in PPS. Indicators will continue to be developed by the Social Protection Committee and the Commission services.
V. Environment 15. Consumption of toxic chemicals 16. Healthy life years 17. Biodiversity index 18. Resource productivity 19. Recycling rate of selected materials 20. Generation of hazardous waste