



**Composite Indicators – boon or bane**  
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# **The Relevance of Composite Indicators in the European Statistical System**

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# Content (part I)

- 1 – Process of evaluation by Eurostat
- 2 – Quality criteria for CI
- 3 – Levels of involvement
- 4 – Examples
- 5 – Risks and preliminary conclusions



# Process of evaluation by Eurostat (1)

- Formal reflections 11/2006, minimise involvement
- Risks – opportunities/constraints: case by case decisions
- Practical guidelines, working group, cooperation with JRC
- Quality criteria transposed to CI



## Process of evaluation by Eurostat (2)

- Compile background: phenomenon, sources, user, context
- Check alternatives
- Analyse methodology, communicate with other actors
- Expert group: feasibility, cost and relevance
- Decide level of involvement



# Quality criteria for CI

- JRC handbook very instructive
- Relevance, Accuracy, Timeliness, Accessibility, Comparability, Coherence
- Application to basic data isolated and in totality
- Homogeneity and number of sources
- Coherence of model
- European context: overall comparability



# Levels of involvement

- Upon external request, wish to minimise
- Motivated rejection
- Advice on certain aspects, e.g. basic data
- Development support, shared ownership
- Full responsibility and ownership



# Three Examples

- Ecological Footprint / Bio-capacity Indicator
- E-business readiness index
- Commission Summary Innovation Scoreboard



# Ecological Footprint / Bio-capacity Indicator

- Definition/content
- Strong and weak points
- Main results of evaluation by Eurostat (pioneer application of guidelines)
- Conclusion for level of involvement: observation with restricted means
- Good lobbying - outlook into future



# E-Business Readiness Index

- Council Resolution, formal existence, Lisbon process
- Careful design by JRC, early involvement of Eurostat
- Complexity large, but well defined and rather transparent
- Not yet disseminated formally via Eurostat, but not excluded for future



# Commission Summary Innovation Scoreboard

- Formal existence since 2001, Lisbon process, many DG's interested
- Careful design, early involvement of Eurostat
- Complexity large, but well defined and transparent, input harmonised data
- Already disseminated via Eurostat, but not really promoted



# Risks and preliminary conclusions

- Intention to reduce complexity, risk of losing or changing information
- ranking often the main or even only purpose
- multiplication of CI leads to a simplification loss
- Main target dissemination by official institutions
  - Quite risky for both official compilers and promoters
  - Shall/can deficiencies be compensated?
- Often large lobbying efforts, difficult to resist
- A CI as good as people believe it to be



**Thank you for your  
attention**

**and now it is Klaus  
Reeh's turn**



## Content (part II)

- 1 - Why are CIs so popular?
- 2 - Why are CIs so popular in the EU?
- 3 - What are the drawbacks of CIs?
- 4 - How official should CIs really be?
- 5 - Are CIs really so special?
  
- 6 - Personal conclusions



# Why are CIs so popular?

- influence on political agenda
- simplify and structure political debate
- enrich the debate through visualisation
- make soft phenomena harder
- capture temporal or spacial aspects nicely
- facilitate convergence of (popular) perceptions



# Why are Cis so popular in the EU?

- easy travel across all sorts of borders
- fit nicely into numerate environment
- simplify a very complex context
- reduce frequency and amplitude or temperature of the political cycle
- facilitate policy (compliance) monitoring



# What are the drawbacks of CIs?

- favour action to non-action, are alarmist, fulfil user expectations
- suggest implicit equivalence of political options
- diffuse/dilute responsibility
- give rise to indicator nationalism
- create privileged position for experts



## More drawbacks

- can always be criticised because they simplify
- might define (conceptualise) the phenomenon in the first place (self-referentiality)
- might become just a convention to measure an otherwise unobservable phenomenon



# How official should CIs really be?

if the law says so, CIs are official, but they should be made official only if

- conceptually uncontested
- sound (largely official) statistical foundations
- not just another fashion
- require an "official" compilation



# But are CIs really so special?

“normal” indicators

- are also very sophisticated
- are also model (and assumption) based
- are also subject to all sorts of manipulations



# Are they really so special?

“normal” indicators

- Might conceal even their “artificial” character

Official multiple source mixed mode statistics makes almost all indicators composite in one way or another



## My personal conclusion/view

- Traditional indicators are more adequate for EU policy purposes
- Composite indicators will always have the taste of measurement without theory
- Official statisticians should stick (as good cobblers) to their last and do start with their work with what is called in German "Adäquation"



**Thank you for your  
attention**

**and now it is time for  
questions and answers**