

Policy Performance and Governance Capacities in the OECD

Sustainable Governance Indicators 2011





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Learning from the world

The OECD nations face tremendous challenges at the beginning of the 21st century. Economic globalization, migration, environmental issues and climatic change as well as demographic and cultural shifts place democracies under massive pressure to adapt. The uncertainties experienced in the context of the recent global financial and economic crisis have further underscored the need for effective and efficient political executive capacity. In a rapidly changing environment, it is more important than ever for governments to be able to react swiftly and decisively while accurately gauging the long-term effects of their political actions.

The Sustainable Governance Indicators (SGI) are aimed at identifying the structural and process-related challenges faced by governments in the OECD. They also present and compare capacities and deficits in confronting challenges and, based on these findings, measure the sustainability of these democratic societies.

The SGI use a set of indicators specially tailored to these states in order to assess the sustainability of their governance and offer comparative data on each surveyed country. In this manner, the SGI seek to encourage debate on “good governance” and sustainable policy-making, identify success models and foster international learning processes within the OECD.

A brochure of this scope can offer only a brief overview of the objectives, methods and findings of the SGI. The extensive data and information set is freely accessible to all interested parties either in print or online at www.sgi-network.org. The guiding principle: to use evidence-based analyses in generating knowledge and points of reference for political decision-makers, media, interested citizens and researchers. To paraphrase the initiator Reinhard Mohn, the SGI can help us “learn from the world.”

Ready for the future?

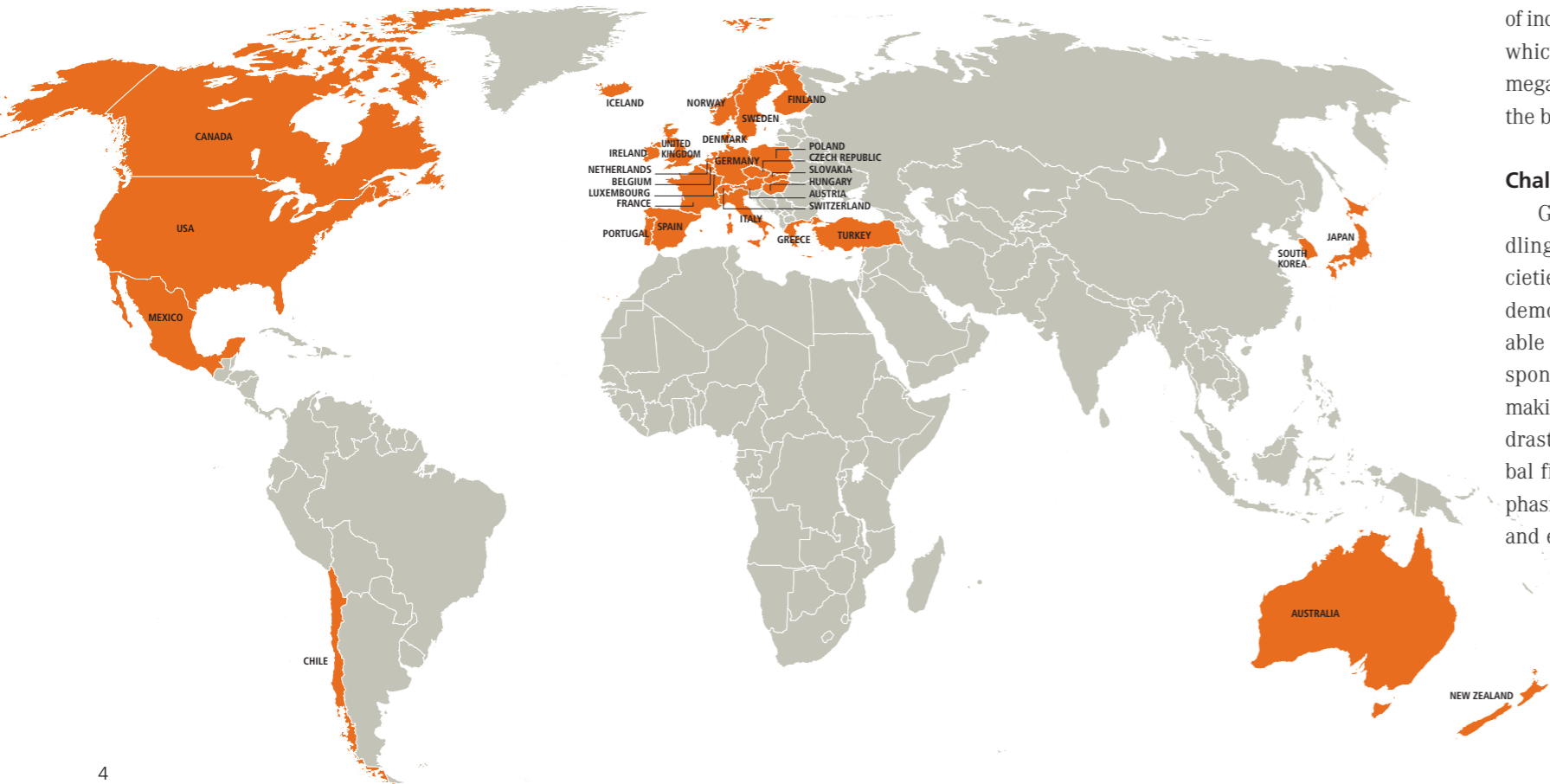
A systematic comparison of sustainable governance



How sustainable are the highly developed industrialized nations of the OECD?

The Sustainable Governance Indicators (SGI), developed by the Bertelsmann Stiftung, answer this key question with a comprehensive and innovative set of measurements. The SGI offer evidence-based knowledge and points of reference for political decision-makers, members of the public, researchers and media. Systematic and cross-national in their comparison, the SGI point the way toward successful, sustainable governance.

Together, the SGI and BTI depict the state of affairs in governance for nearly every country in the world.
■ SGI 2011 – 31 OECD nations examined



The Bertelsmann Stiftung’s Sustainable Governance Indicators (SGI), first published in 2009 (www.sgi-network.org), form a valuable counterpart to the Transformation Index (BTI), which has appeared since 2004. While the BTI assesses the fundamental development of 128 countries in transition to democracy and a market economy, the SGI project closes a significant gap, subjecting the highly developed industrialized countries of the OECD to a detailed comparison of their performance. This is accomplished using a set of indicators specially tailored to these states, which look at the complex challenges and megatrends confronting the OECD states at the beginning of the 21st century.

Challenges of the 21st century

Globalization processes, migration, dwindling resources, climate change, aging societies and new security risks place the democracies of the OECD under considerable pressure to adapt, and demand correspondingly dynamic and adaptable policy-making performance. In particular, the recent drastic experiences associated with the global financial and economic crisis have emphasized the need for the ability to effectively and efficiently steer policy. In a fast-chang-

ing environment, and in the face of increasingly complex sets of problems, it is more important than ever for governments to react resolutely in the short term and to accurately assess the long-term consequences of their political actions. Since the autumn of 2008, government activity has come almost continuously under the heading of “crisis management.” The acute pressure of short-term problems, though without question demanding quick decisions, must not lead to the systematic neglect of sustainability considerations. Future viability must be assured.

Forward-looking governance

The steering performance of political bodies, their respective institutional frameworks, the instruments chosen and the ultimate outcomes of political actions must always take the future into consideration. Two key dimensions can be distinguished here: one concerning fundamental political and constitutional frameworks as well as concrete policy outcomes; and another more concerned with the process-oriented aspects of policy-making and actual interactions between governments and members of civil society.

OECD member states

- Australia
- Austria
- Belgium
- Canada
- Chile
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Greece
- Hungary
- Iceland
- Ireland
- Italy
- Japan
- Luxembourg
- Mexico
- Netherlands
- New Zealand
- Norway
- Poland
- Portugal
- Slovakia
- South Korea
- Spain
- Sweden
- Switzerland
- Turkey
- United Kingdom
- United States

Quality of democracy, sustainability of policies and governance

Key parameters for an evidence-based comparison of 31 OECD states



How do the SGI measure sustainability?
What is the conceptual design?

The SGI are comprised of two pillars – the Status Index and the Management Index.

Status Index

The Status Index measures the reform needs of an OECD state in terms of quality of democracy and performance in key policy fields. The underlying principle here is to examine the future viability of a country’s policies. Their aim should be twofold: to avoid shifting unjust burdens to future generations, and to produce policy results that imply a preservation of or improvement in the quality of life for present and future generations. In light of the future challenges outlined above, the objective is to ensure the long-term viability and adaptability of economic, sociopolitical and environmental systems. This substantive, results-oriented goal is strongly influenced by the concepts of **sustainability** and **quality of life**.

Management Index

The Management Index assesses the actual capacity of an OECD state to take action and implement reform in terms of developing, agreeing on and realizing policy. It seeks to answer the critical question of whether a state is able to identify pressing problems, develop proposals for strategic solutions and thus foster sustainable policy outcomes through governance. In this context, governance encompasses not only the **actions** of (core) executive actors, but also their **interactions** with other institutions and elements of society (citizens, legislatures, special interest groups, media) in each phase of the policy cycle. The findings of the Management Index are thus suitable for drawing comparisons.

Developing sustainable policy outcomes

The Sustainable Governance Indicators (SGI) examine these two basic aspects (need for reform and capacity to reform) in a systematic, evidence-based comparison of all OECD nations. More than 80 experts from around the globe contribute to the large-scale study currently in its second edition. Based on nearly 150 qualitative and quantitative indicators, the SGI draw a profile of the strengths and weaknesses of all states surveyed, with the aim of fostering debate on good governance and sustainable policy outcomes within the OECD. The objective of the SGI is to use this systematic (cross-national) comparison to identify success models (good practices) and to learn from these while keeping each specific national context in mind.

Generating knowledge

The overarching idea is to use evidence-based analyses to generate context-based knowledge for political decision-makers, media, interested members of the public and researchers. Continuous observation and publication enable the SGI to identify current trends and developments as well as to examine the effects of political reform measures on an ongoing basis. Alongside the ranking results, detailed country reports are compiled within the SGI information-gathering process. These are freely accessible via the Website www.sgi-network.org. The online presence enables all users to view all relevant data in the desired level of detail.

INFO

The SGI expert network

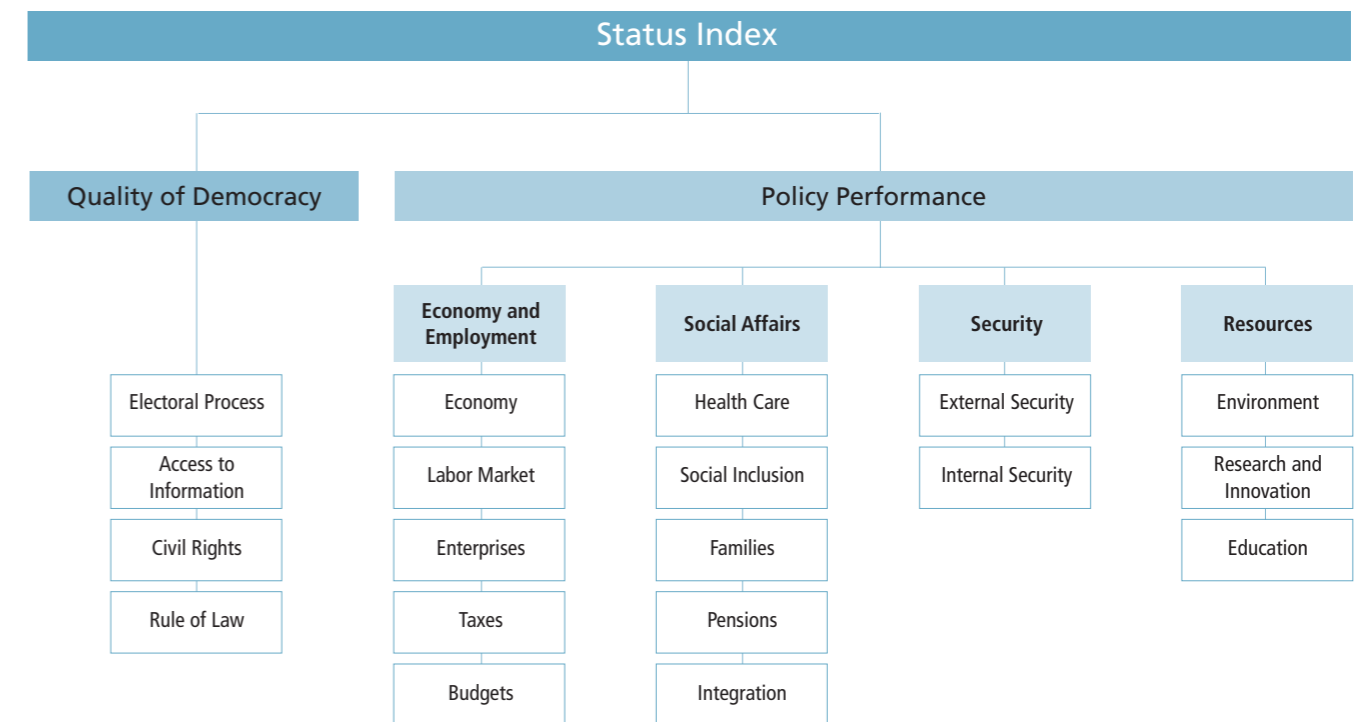
With its innovative approach, the SGI allow for the first time far-reaching assessments of the sustainability of OECD member states. The SGI are by no means a system of purely quantitative data; the SGI also include qualitative expert assessments, which are gathered by means of a questionnaire used as part a multistage data capture and validation process. A network comprising a total of more than 80 respected scholars all over the world is involved in the study.

The inclusion of qualitative indicators is a major advantage of the SGI over many other indices, as this allows context-sensitive assessments that purely quantitative indicators cannot yield.

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Sustainable political outcomes in a democratic context

The Status Index employs a broad set of democratic, social, economic and environmental indicators



SGI 2011 design – Status Index. The figure illustrates an overview of the key items comprising the Status Index. A total of 100 qualitative and quantitative indicators underlie the Status Index.

What is the quality of democratic systems in OECD states?

How successful are they at realizing political outcomes?

The SGI Status Index examines the quality of democracy and rule of law as well as the policy performance of 31 OECD states in 15 areas.

The SGI Status Index looks at the quality of democracy and rule of law by drawing on an array of indicators. The quality of democracy and political participation in a political system are crucial to its long-term stability and capacity to perform. Indeed, this viability depends to a large extent on the levels of trust between citizens and politics. Guaranteed opportunities for democratic participation and observation, freely accessible information, rule of law and protection of civil rights are thus essential prerequisites for the legitimacy of a political system. Moreover, democratic participation and observation are essential for concrete learning and

adaptation processes as well as the capacity to change. The SGI thus regard structures that ensure a high quality of democracy and rule of law as necessary in achieving sustainability in terms of long-term system stability.

Focus on policy areas of future relevance

In addition to the analysis of frameworks of democracy and rule of law, the Status Index offers a detailed comparison of the performance of OECD states in policy areas of relevance for the future. The SGI perspective is shaped by thoughts at the center of the current international discourse on the meas-

urement of sustainability, societal progress and quality of life (the beyond-GDP debate). For this reason, the Status Index is by no means limited to purely economic indicators measuring a society's economic growth and material welfare; to the contrary, the Sustainable Governance Indicators also assess the success of OECD nations in numerous other spheres of political action that must not be ignored in the pursuit of long-term viability and capacity for performance in economic, sociopolitical and environmental systems with a high level of public participation. Accordingly, these include areas like education, employment, health care, integration, inno-

vation, and environment. In total, 15 individual areas of policy are assessed. They can be divided into the following categories:

- *Economy and employment*
- *Social affairs*
- *Security*
- *Resources*

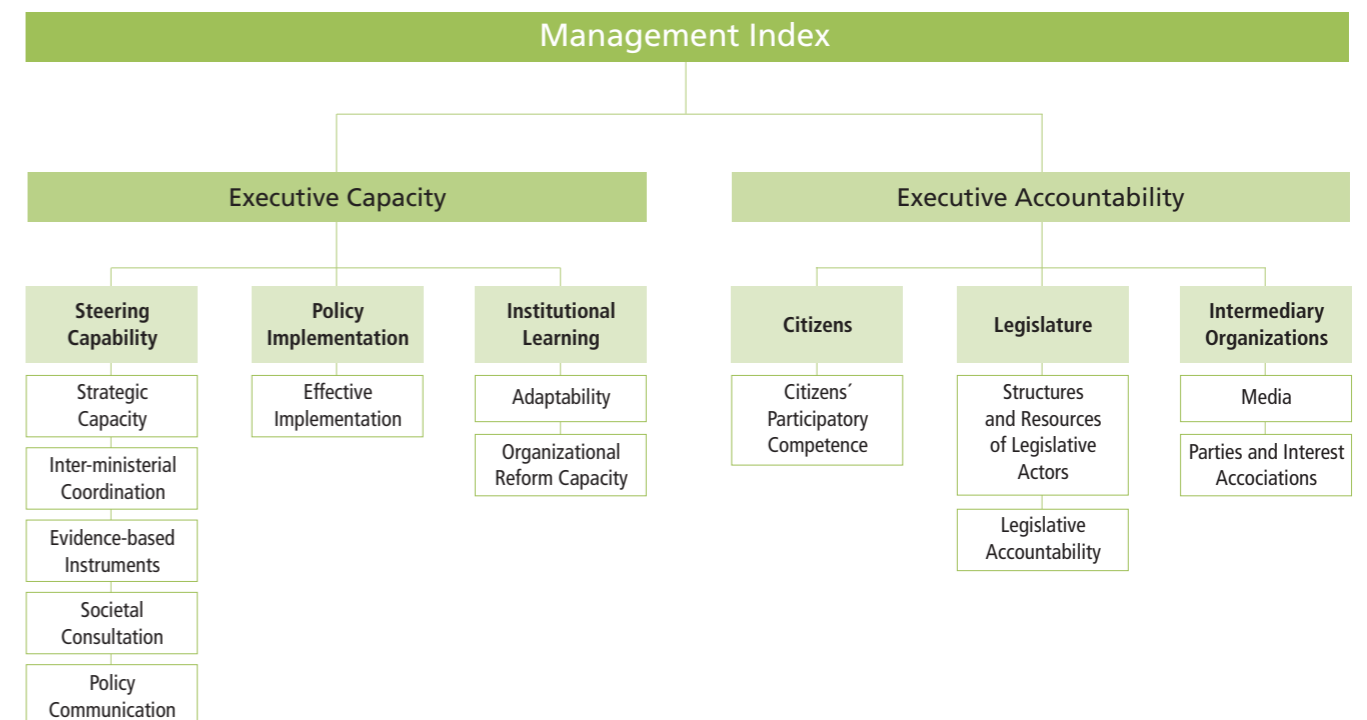
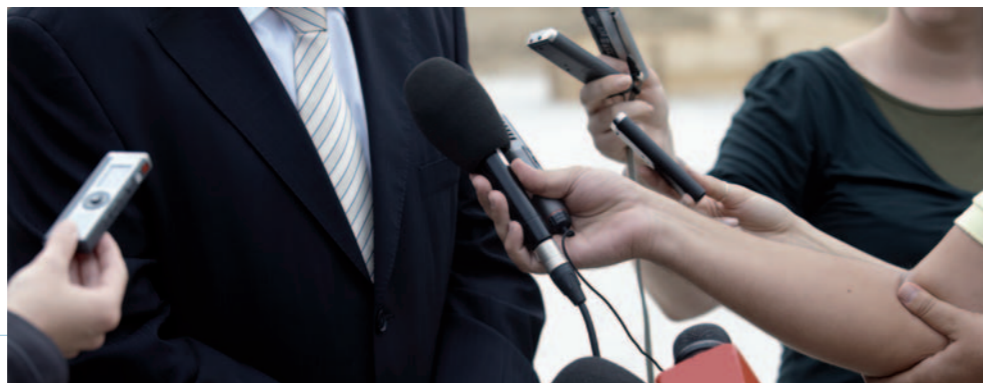
SGI: a multidimensional approach

At the center of the SGI is the thinking that sustainable policy-making means placing the same importance on democratic aspects as on social, economic and environmental progress.

A comprehensive assessment of future viability must not be limited to the measurement of political outcomes and the quality of democratic frameworks; to the contrary, it must also look very closely at the capacity of the responsible political actors for successful governance.

Executive capacity in a participatory environment

The Management Index compares governments' executive capacity and accountability toward different elements of society



SGI 2011 design – Management Index. The figure illustrates an overview of the key items comprising the Management Index. A total of 47 qualitative and quantitative indicators underlie the Management Index.

How well developed is the strategic steering capacity of each OECD nation in terms of interaction between government and different elements of society?

In order to answer this key question, the SGI Management Index has been designed around a broad and innovative set of indicators. These indicators allow a detailed assessment of the extent to which governments of OECD states are capable of working with other institutions and groups within society to identify pressing future problems, develop targeted political solutions, and then effectively and efficiently implement them.

The executive capacity of a government

With a view to governance in the broader sense, the SGI concentrate on a government's executive capacity by analyzing it in narrowly defined terms – in line with the political cycle – of aspects like strategic planning, policy implementation, communication and institutional learning capacity. These aspects of governance are measured in the “Executive Capacity” dimension.

Cooperation and interaction

A further element assessed relates to the nature of relationships between governments and actors or groups outside of the executive branch. The focus is, on the one hand, on the government's accountability to citizens, legislatures, media, political parties and special interest groups – actors that (can) all exert important corrective functions. On the other hand, the focus is on basic communication performance in terms of availability of knowledge as a basis for strategic, effective steering that involves and activates elements of society in the development and implementation of policy.

Consultation and executive accountability

Underscoring the importance of accountability, the SGI include a series of indicators exploring the extent to which governments consult, for example, relevant special interest groups early on in legislative planning processes. In short, the emphasis here is on participation processes and on checks and balances, each of which can improve a government's strategic steering capacity. These aspects of governance are measured in the “Executive Accountability” dimension.

Capacity for performance, cooperation and interaction characterize the quality of the relationship between a government and other elements of society.

SGI 2011 Ranking

Where do the individual OECD states stand?



Status Index
Number of countries in
trend comparison



Management Index
Number of countries in
trend comparison

SGI: internationally recognized for depth of detail

The SGI concept goes further than previously existing international rankings: no other ranking in the world presents an analysis in comparable depth of detail. With its innovative approach, the SGI project has earned recognition by the OECD as an official partner in the “Global Project on Measuring the Progress of Societies.” The Global Project is the central international platform for the worldwide “beyond-GDP” debate over sustainable business, social inclusivity and quality of life (www.wikiprogress.org).

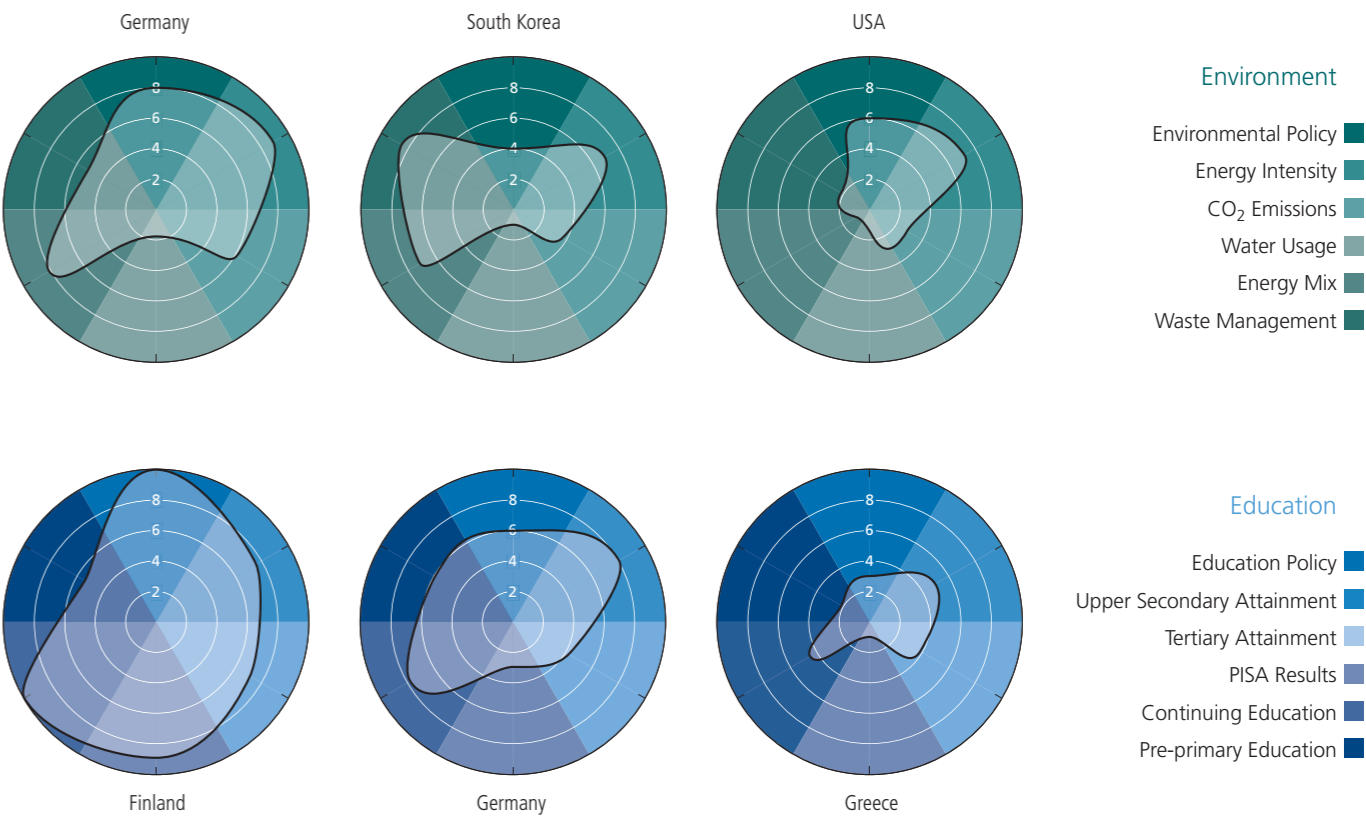


Policy Performance										Executive Accountability									
Quality of Democracy					Reform need					Reform capacity					Executive Capacity				
Status Index					Ranking					Ranking					Management Index				
					SGI 2011	SGI 2009*	difference	trend			trend	difference	SGI 2009*	SGI 2011					
7.91	9.38	8.65			Sweden	1	2	1	↑		↑	2	3	1	Sweden		8.29	8.39	8.19
7.85	9.43	8.64			Norway	2	1	- 1	↓		↓	- 1	1	2	Norway		8.20	8.03	8.37
7.67	9.37	8.52			Finland	3	4	1	↑		↓	- 1	2	3	Denmark		7.90	8.29	7.52
7.80	9.22	8.51			New Zealand	4	3	- 1	↓		•	0	4	4	Finland		7.79	8.38	7.20
7.63	9.05	8.34			Denmark	5	5	0	•		•	0	5	5	New Zealand		7.72	8.18	7.25
7.59	8.66	8.12			Switzerland	6	8	2	↑		↑	1	7	6	Australia		7.71	7.81	7.61
7.27	8.52	7.89			Canada	7	6	- 1	↓		↑	2	9	7	USA		7.24	7.78	6.70
6.77	8.76	7.77			Germany	8	11	3	↑		↓	- 2	6	8	Iceland		7.23	7.09	7.37
7.04	8.46	7.75			Australia	9	13	4	↑		↑	1	10	9	Luxembourg		7.05	6.60	7.51
6.88	8.41	7.65			Iceland	10	10	0	•		↓	- 3	7	10	Canada		7.04	8.01	6.07
6.76	8.50	7.63			Netherlands	11	7	- 4	↓		↑	2	13	11	Germany		6.84	6.72	6.97
7.22	7.97	7.60			Luxembourg	12	12	0	•		↓	- 2	10	11	Netherlands		6.84	7.04	6.64
6.38	8.60	7.49			USA	13	17	4	↑		↑	1	14	13	United Kingdom		6.82	7.40	6.24
6.11	8.64	7.37			Ireland	14	9	- 5	↓		↑	2	16	14	Switzerland		6.79	7.34	6.23
6.78	7.66	7.22			United Kingdom	15	15	0	•		↑	6	21	15	Japan		6.41	6.39	6.42
6.45	7.89	7.17			Belgium	16	16	0	•		↓	- 1	15	16	Austria		6.39	6.17	6.60
6.33	7.40	6.86			Austria	17	14	- 3	↓		↓	- 5	12	17	Ireland		6.33	6.26	6.40
6.15	7.42	6.78			Czech Republic	18	19	1	↑			-	-	18	Chile		6.15	6.56	5.74
6.16	7.32	6.74			France	19	18	- 1	↓		↑	6	25	19	Turkey		6.07	6.43	5.72
5.63	7.54	6.59			Portugal	20	20	0	•		↑	3	23	20	Spain		6.03	6.22	5.84
6.15	6.93	6.54			Japan	21	21	0	•		↓	- 4	17	21	Belgium		6.00	5.04	6.95
6.03	6.99	6.51			Chile	22	-	-			↓	- 4	18	22	South Korea		5.92	6.67	5.17
5.46	7.24	6.35			Spain	23	22	- 1	↓		↑	5	28	23	Czech Republic		5.88	5.68	6.08
5.35	7.31	6.33			Poland	24	27	3	↑		↑	2	26	24	Mexico		5.87	6.74	5.00
5.50	6.39	5.94			Hungary	25	25	0	•		↓	- 1	24	25	France		5.82	6.83	4.81
6.17	5.47	5.82			South Korea	26	24	- 2	↓		↑	3	29	26	Poland		5.79	6.26	5.32
5.15	6.26	5.70			Italy	27	26	- 1	↓		↓	- 5	22	27	Portugal		5.76	6.41	5.11
5.16	5.81	5.48			Slavakia	28	23	- 5	↓		↓	- 8	20	28	Hungary		5.71	5.96	5.46
5.03	5.47	5.25			Mexico	29	29	0	•		↓	- 2	27	29	Italy		5.62	5.49	5.75
4.23	6.00	5.12			Greece	30	28	- 2	↓		↓	- 11	19	30	Slovakia		4.75	4.41	5.10
4.40	4.90	4.65			Turkey	31	30	- 1	↓		↓	- 1	30	31	Greece		4.54	4.16	4.93

SGI 2011

Status Index findings

Quality of democracy and political performance in the OECD



Comparing quality of democracy and policy performance

The Status Index is one of the two main pillars of the SGI project. It aims to compare “Policy Performance” and the “Quality of Democracy” in the 31 states under review. In general, it is presumed that a high quality of democracy is necessary for the long-term stability of a political system and thus for the implementation of sustainable policies.

First dimension
of Status Index

A country’s quality of democracy is measured in terms of four main elements, each of which takes further factors into account:

1. Electoral process
2. Access to information
3. Civil rights
4. Rule of law

Second dimension
of the Status Index

The second dimension of the Status Index provides information on individual countries’ performance in specific policy fields. The four areas analyzed here are especially important for achieving sustainable policy:

1. Economy and employment
2. Social affairs
3. Security policy
4. Resources

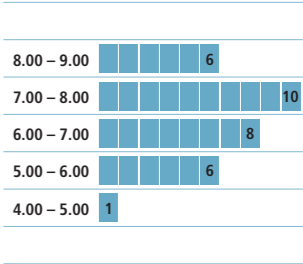
An overview of the Status Index findings

The top rankings of the Status Index are dominated by northern European countries. At the same time, the leading group also includes *New Zealand*, with its Anglo-saxon heritage, and continental European *Switzerland*, two nations with different political and state welfare traditions.

The group of mid-range scorers (*Canada, Australia, Germany, Iceland, Luxembourg, Netherlands, USA, Ireland, Great Britain, Belgium, Austria, Czech Republic, France, Portugal, Japan, Chile, Spain, and Poland*) and the lowest-ranking group (*South Korea, Italy, Slovakia, Mexico, Greece, and Turkey*) are geographically and culturally just as heterogeneous as the top group.

Standard typologies in comparative political science are insufficient to explain the Status Index ranking of the OECD nations. For example, majoritarian democracies do not systematically score better or worse than consensus democracies. Classifying the countries as federalist and centralist states also fails to help explain the differences in reform capacity.

The top group includes, above all, social democratic welfare states such as the Scandinavian countries. However, liberal welfare states also achieve high scores, with *New Zealand, Switzerland* and *Canada* in the upper mid-range. In general, the findings of the Status Index reveal higher scores among long-term, established OECD members – although there are exceptions: *Chile*, a new member, places in the lower midrange, while *Italy* and *Greece* rank significantly lower than some Eastern European countries. This suggests that the smaller, more open national economies tend to pursue especially sustainable policies.



Distribution of the 31 OECD states surveyed in the Status Index

Quality of democracy

The better the quality of the democratic structures, the better the chances of sustainable reform policies.

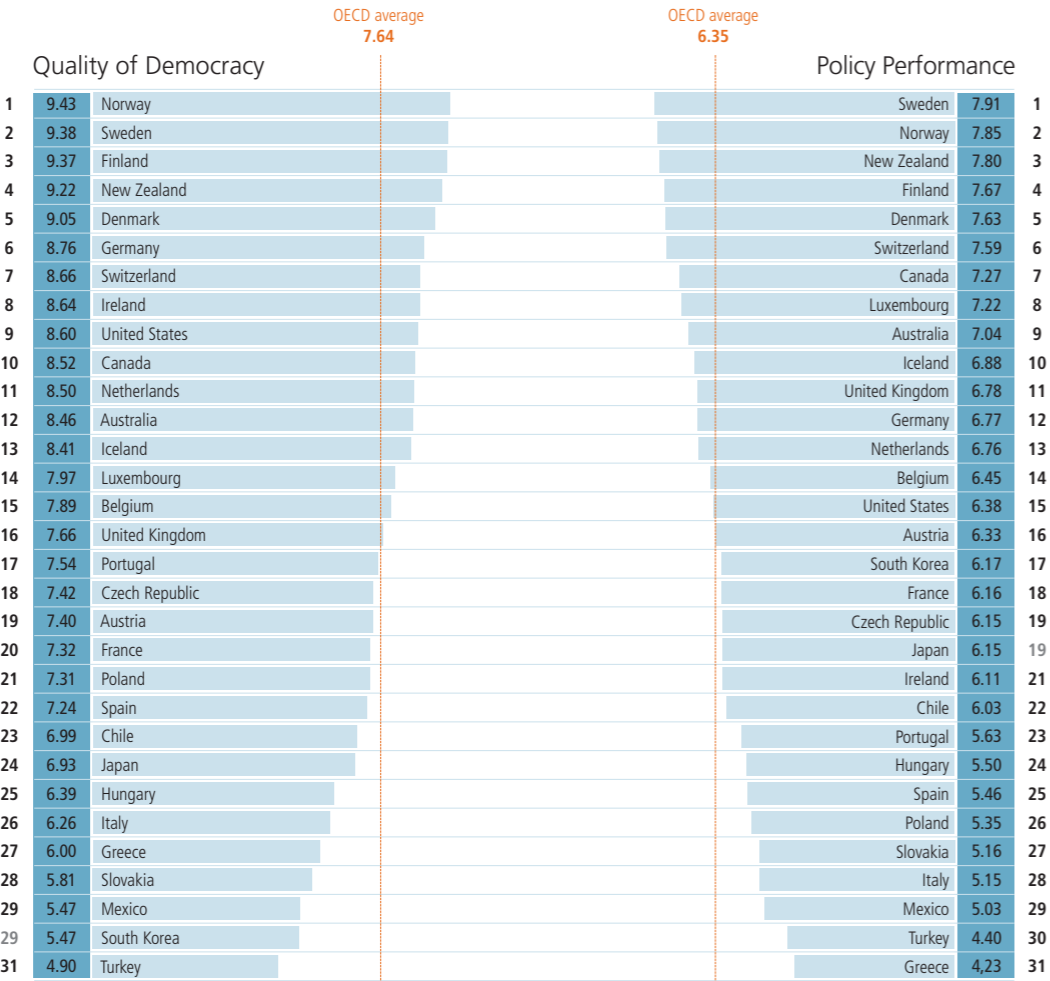
Norway, Sweden, New Zealand and Finland receive top scores on quality of democracy. *Denmark* also achieves very good ratings for quality of democracy, albeit lower than the rest of the northern European countries. This is due to weaker scores for its anti-discrimination policy. Although Danish society has traditionally been liberal, it has tightened its immigration laws in recent years. With its high proportion of direct democratic processes, *Switzerland* also received high scores on quality of democracy.

Membership in the European Union seems to exert a positive influence on the protection of civil rights: *Hungary, Italy, Slovakia and Greece* score better here than *South Korea, Mexico and Turkey*. The main shortcomings of Turkish policy are restrictions on freedom of assembly and opinion, as well as curtailment of the rights of the Kurdish minority. But in *Hungary* and *Italy*, too, SGI experts consider the civil rights of ethnic minorities – especially Sinti and Roma – inadequately protected. The SGI experts draw critical attention to deficits in the rule of law among countries in the lower rankings of the Status Index. In *Mexico* and *Greece* in particular, the rule of law is considerably weaker than in the rest of the OECD countries. Preventing and fighting corruption – especially within the legal system – is among the central challenges for all countries in this group.

Policy-making in times of crisis

The largest financial and economic crisis seen in the postwar period left none of the surveyed countries unscathed. Following the collapse of the investment bank Lehman Brothers in autumn of 2008 and the domino effect it unleashed on the international financial system, policy during the period observed has been shaped more by short-term crisis management than by structural reforms. In addition to massive economic stimulus programs and the stabilization of the banking sector, the political response included state intervention in the economy. Even though the real economy is still far from overcoming the fallout of the financial crisis in many countries, we already see that the states that set the right priorities and decisively implemented necessary reforms have been able to stabilize trust in politics and the economy. Alongside these resolute steps, however, policymakers must not lose sight of problems on the long-term horizon – in particular, the immense burden of debt that coming generations will have to shoulder. The country reports of the SGI 2011 are a rich source of insights into how political decision-makers in OECD countries acted when confronted by simultaneous demands for short-term crisis management and long-term policymaking – as well as what can be learned from the crisis management experiences thus far. The countries’ performance scores vary widely depending on policy area.

The SGI 2011 identifies good practices observed in everything from short-term crisis management to sustainable policy-making.



Economy and employment. *Iceland and Ireland* were especially hard-hit by the financial and economic crisis. Iceland’s economy is now receiving support from a reconstruction program under the International Monetary Fund. The stability of the Irish banking systems has also sustained severe damage. On employment indicators, the surveyed countries’ performance is very mixed: *Canada, Australia* and the *Netherlands* still have relatively low unemployment and high employment rates despite the crisis. Some countries, including *Iceland*, the *USA, Ireland*, and *Great Britain*, enjoyed above-average labor market performance in recent years, but experienced a spike in unemployment during the crisis. *Germany* is a special case, since its previously high unemployment numbers fell continuously even during the crisis. This can be explained in part by the country’s extensive labor market reforms in 2003 and 2004 and by massive payments of short-time compensation for workers whose hours were reduced during the financial crisis. In most countries, unemployment remains at a relatively high level, with Turkey experiencing the most severe unemployment among the 31 OECD nations studied.

Social affairs. Norway leads here overall, closely followed by *New Zealand* and *Sweden*. SGI experts judge the health systems of *Sweden*, *Belgium*, *Finland*, *Denmark*, *Switzerland*, *New Zealand* and *Canada* to be similarly sustainable. The northern European countries take the lead in social inclusion. In family policy too, *Norway*, *Iceland*, *France* and *Sweden* are considered exemplary: their well-developed childcare facilities make it easier for men and women to combine family and career, and may also help explain these countries’ above-average birth rates (*New Zealand’s* is the highest among the countries surveyed). As a consequence of the need to finance their extensive welfare states, all northern European countries are characterized by above-average tax burdens, with Denmark featuring the highest taxation rate of any OECD nation. The Scandinavian states have so far largely managed to defend their prosperity despite their extensive welfare states and high tax rates. These countries do, however, have weaknesses in the area of integration policy.

Internal and external security. The third category within the dimension of “Policy Performance” refers to external and internal security policy. The SGI experts assess the countries in the top group similarly. For *Denmark*, however, the threat of international terrorism is judged to be higher for than for the other countries due to its military involvement in Afghanistan and the reaction to the Mohammed caricatures published in 2005. On security policy, the United States scores significantly lower than the other countries in the upper mid-range due to its above-average crime rate and its military operations in Iraq and Afghanistan. In addition, the Guantanamo prison camp has not yet been closed. Exceptional deficits in the area of internal security can be observed in *Mexico* due to an extremely high crime rate and unreliable police forces.

Resources. This category of the Status Index asks whether the OECD countries pursue sustainable policy in regard to their available resources. The areas analyzed are environmental policy, research and development as well as education policy. Overall, *Finland* leads on this criterion, followed by *Sweden*, *Switzerland*, *Denmark*, *Germany* and *Japan*. In terms of environmental policy specifically, SGI experts attest to especially sustainable approaches in *Finland*, *Norway*, *Denmark* and *Germany* as well as in the frontrunner, *Sweden*. In recent years, environmental policy has seen a transition from a classic regulatory approach toward new environmental steering instruments (e.g., eco-tax, tradable emissions certificates, environmental agreements). Here, *Germany* has established itself as a pioneer and initiator, taking on a leading role – alongside *Great Britain* – in the EU. *Germany’s* good results should not, however, obscure the fact that there is room for improvement here too. The state may subsidize projects such as renewable energy, wind farms and modernization of buildings and infrastructure to improve energy efficiency, yet the proportion of renewables in the overall energy mix is still small in international comparison. In terms of environmental sustainability, the USA remains at the bottom of the ranking, although it is among the leading OECD nations in research and development.

Education, technological know-how and a healthy environment are key resources for sustainable development.



Rating scale range of 1 – 10 points. Raw values for the quantitative indicators were converted to this scale using a linear transformation.

Learning from the best

The findings of the Status Index point to significant differences in the strengths and weaknesses of OECD countries. Those nations with a strong quality of democracy score better than the rest of the OECD on most areas of policy as well, although in some cases members ranking in the upper and lower mid-range achieve scores equal to or even exceeding the top group’s. In general, a very close relationship between two dimensions can be observed: the better the quality of a country’s democratic structures, the more likely it is to achieve sustainable reform policies.

In recent years, the reform capacity of many countries has taken a similar turn in certain areas of policy. Pension policy reform in most industrialized nations tends toward a strengthening of private pension schemes and lengthening of working lifetimes. In family policy, OECD nations have paid greater attention to improving compatibility of career and family in recent years.

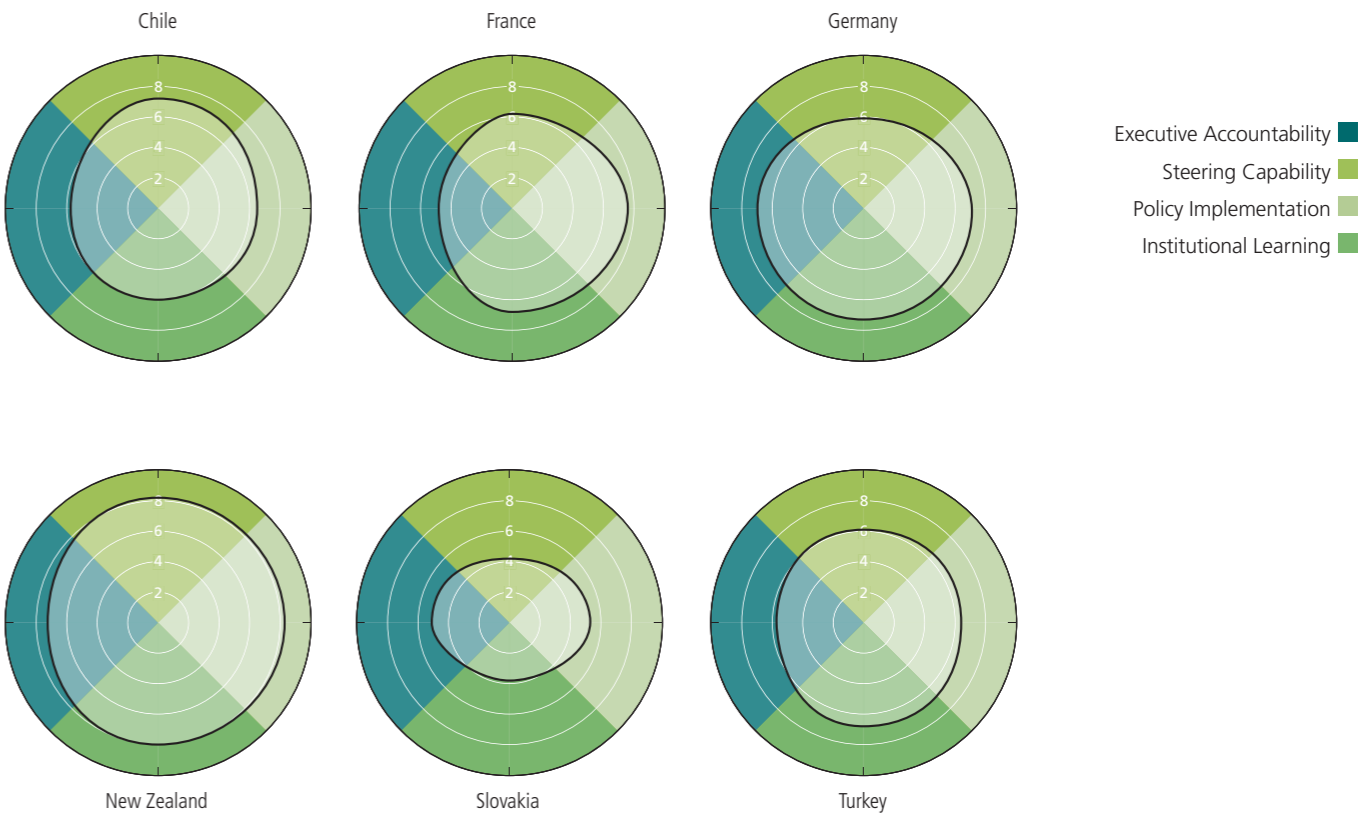
In which policy areas is the need for reform still especially great in the industrialized countries? The lowest average score in the Status Index is on research and development. More intensive efforts are needed here, as there is a positive correlation between a country’s score on research and innovation and the competitiveness of its economy.

Average scores are also rather low for sustainability in environmental and education policy, as well as integration policy. Finally, a similarly low average score can be seen on fiscal policy. In the area of fiscal retrenchment, 21 out of 31 OECD countries received the lowest score. In light of this, the effects of the financial and economic crisis can be expected to remain a main challenge for the industrialized countries for the foreseeable future.

SGI 2011

Comparing governance in the OECD

Executive capacity and executive accountability



Executive capacity and executive accountability

The Management Index, comprising mainly governance indicators, sees democratic governance from a holistic and contemporary perspective. This index focuses on the decisive question of whether a nation is able to identify pressing problems, develop strategic solutions and thus foster sustainable political outcomes. This allows an assessment of the reform capacity of a political system. Like the Status Index, the Management Index is structured in two dimensions.

First dimension of the Management Index

The first part of the Management Index concerns “Executive Capacity”. It looks at the aspects of strategic planning, consultation and communication as well as capacity for implementation and learning.

Second dimension of the Management Index

However, as governing modern democracies must be seen as a two-way process involving numerous interactions between different actors, the SGI approach goes beyond an analysis of core executive functions. Accordingly, it also examines the capacity of citizens, legislatures, special interest groups and media to participate in and monitor political processes. This dimension, “Executive Accountability”, focuses on the interaction between policymakers and non-governmental actors in terms of political inclusion, expansion of the knowledge base and monitoring of executive functions.

An overview of the Management Index findings

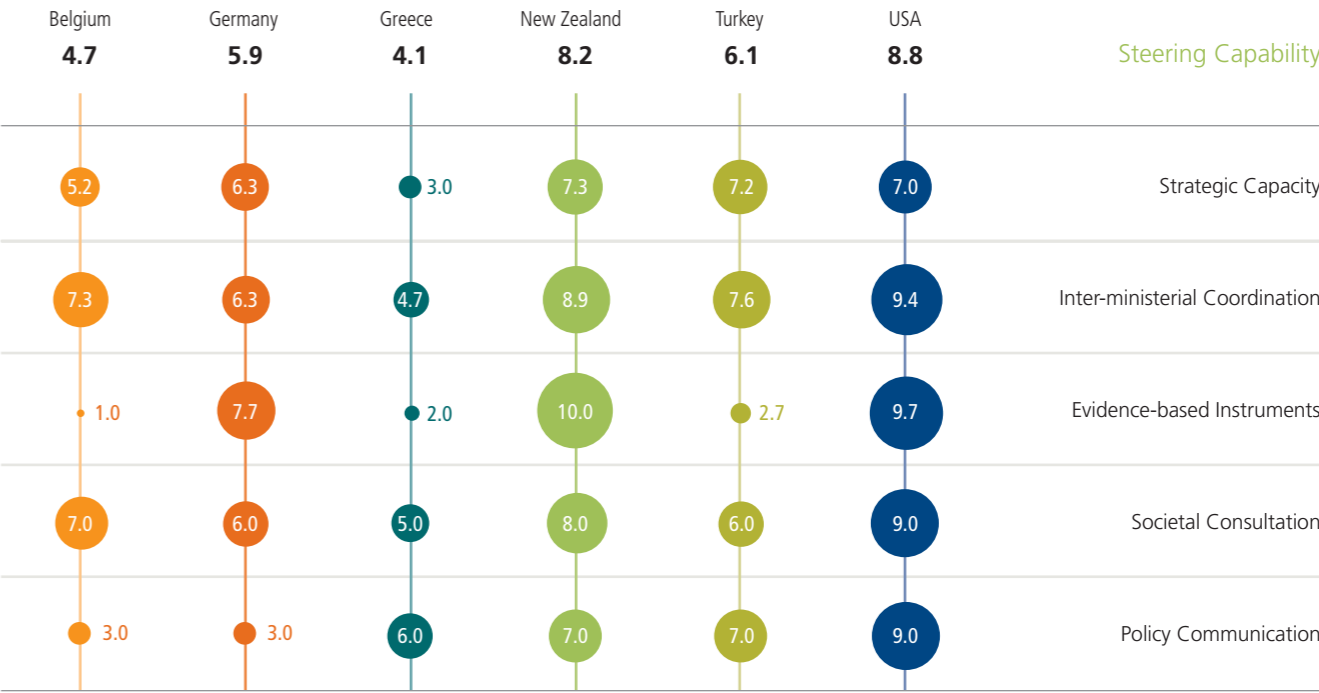
At the highest level of aggregation in the Management Index, the overview provides important initial indications of which countries exhibit the best performance of governance overall and which countries show deficiencies. Background information in greater depth on the performance of a given country can be found in the country reports on the SGI website. These include substantiated, qualitative information right down to the level of individual indicators.

The SGI Management Indicators are clearly led by *Sweden* and *Norway*, each with average scores exceeded 8 points. Next come *Denmark*, *Finland*, *New Zealand* and *Australia*. While the overall ranking of northern European countries is again outstanding, as observed in the Status Index, this sequence also underscores the fact that no particular system type is favored in the Management Index. This top group is followed by a broad mid-range in which the changes in index scores are incremental, leaving no discernable clusters. Clearly bringing up the rear of the survey are *Greece* and *Slovakia*. Both countries trail *Italy*, which is 29th in the ranking, by nearly an entire point. The new OECD member *Chile* stands out positively, already scoring higher than some established, longstanding OECD states.

OECD states vary widely in their capacity to sufficiently integrate the knowledge and demands of citizens, parties and special interest groups into their political decision-making processes.

Executive capacity and executive accountability – both matter!

Because the scores for the dimensions of “Executive Capacity” and “Executive Accountability” are aggregated to create the Management Index, a closer look at both is warranted in order to better understand the state of affairs in a country. Certain countries attain almost identical scores on the two dimensions, such as *Australia, Ireland* and *Japan*. But there are also cases of countries showing wide discrepancies between the two dimensions. Stronger scores and assessments for performance on “Executive Accountability” can compensate for weaker scores on “Executive Capacity”, and vice versa. These cases include *Canada, France* and *Mexico*, with *France* standing out. The country’s executive and strategic capacity at the core executive level is strongly upheld through corresponding institutional structures and the special position of the president. On the other hand, in the equally important dimension of “Executive Accountability” – referring to involvement of parliament, special interest groups, citizens and media – *France* comes in last among all 31 countries surveyed. A strong and capable executive function is thus by no means enough to successfully plan and implement the reforms society urgently requires. To the contrary, it demands productive interaction between the government and other elements of society.



Executive Capacity			Executive Accountability		
OECD average 6.73			OECD average 6.33		
1	8.39	Sweden	Norway	8.37	1
2	8.38	Finland	Sweden	8.19	2
3	8.29	Denmark	Australia	7.61	3
4	8.18	New Zealand	Denmark	7.52	4
5	8.03	Norway	Luxembourg	7.51	5
6	8.01	Canada	Iceland	7.37	6
7	7.81	Australia	New Zealand	7.25	7
8	7.78	United States	Finland	7.20	8
9	7.40	United Kingdom	Germany	6.97	9
10	7.34	Switzerland	Belgium	6.95	10
11	7.09	Iceland	United States	6.70	11
12	7.04	Netherlands	Netherlands	6.64	12
13	6.83	France	Austria	6.60	13
14	6.74	Mexico	Japan	6.42	14
15	6.72	Germany	Ireland	6.40	15
16	6.67	South Korea	United Kingdom	6.24	16
17	6.60	Luxembourg	Switzerland	6.23	17
18	6.56	Chile	Czech Republic	6.08	18
19	6.43	Turkey	Canada	6.07	19
20	6.41	Portugal	Spain	5.84	20
21	6.39	Japan	Italy	5.75	21
22	6.26	Ireland	Chile	5.74	22
22	6.26	Poland	Turkey	5.72	23
24	6.22	Spain	Hungary	5.46	24
25	6.17	Austria	Poland	5.32	25
26	5.96	Hungary	South Korea	5.17	26
27	5.68	Czech Republic	Portugal	5.11	27
28	5.49	Italy	Slovakia	5.10	28
29	5.04	Belgium	Mexico	5.00	29
30	4.41	Slovakia	Greece	4.93	30
31	4.16	Greece	France	4.81	31

Learning from the best

A first glance at the findings of the Management Index reveals that the quality of political steering varies widely among the highly developed industrialized nations studied. In many OECD states, especially pronounced differences can be observed in strategic steering capability as well as in the capacity to sufficiently include the knowledge and demands of citizens, parties and special interest groups in the political decision-making process. Yet precisely this point, inclusion of political actors and members of society outside of the executive core, is a decisive factor in successful political management. Active involvement of legislatures, parties, citizens and intermediary organizations broadens the knowledge base as well as the normative basis for actual governing, thus contributing to an increase in a state’s level of democratic and socioeconomic performance.

A look at the top-ranking countries further reveals an array of parallels in styles of governing. These include, notably, the aspect of institutional learning capacity and self-monitoring. Governments that regularly re-examine their own institutional structures and internal processes and adjust them to new circumstances are more likely to be capable of strategic action and effective implementation of reforms. By the same token, the countries that do not seek to improve their steering capability by changing their institutional setups are especially prone to low performance levels.

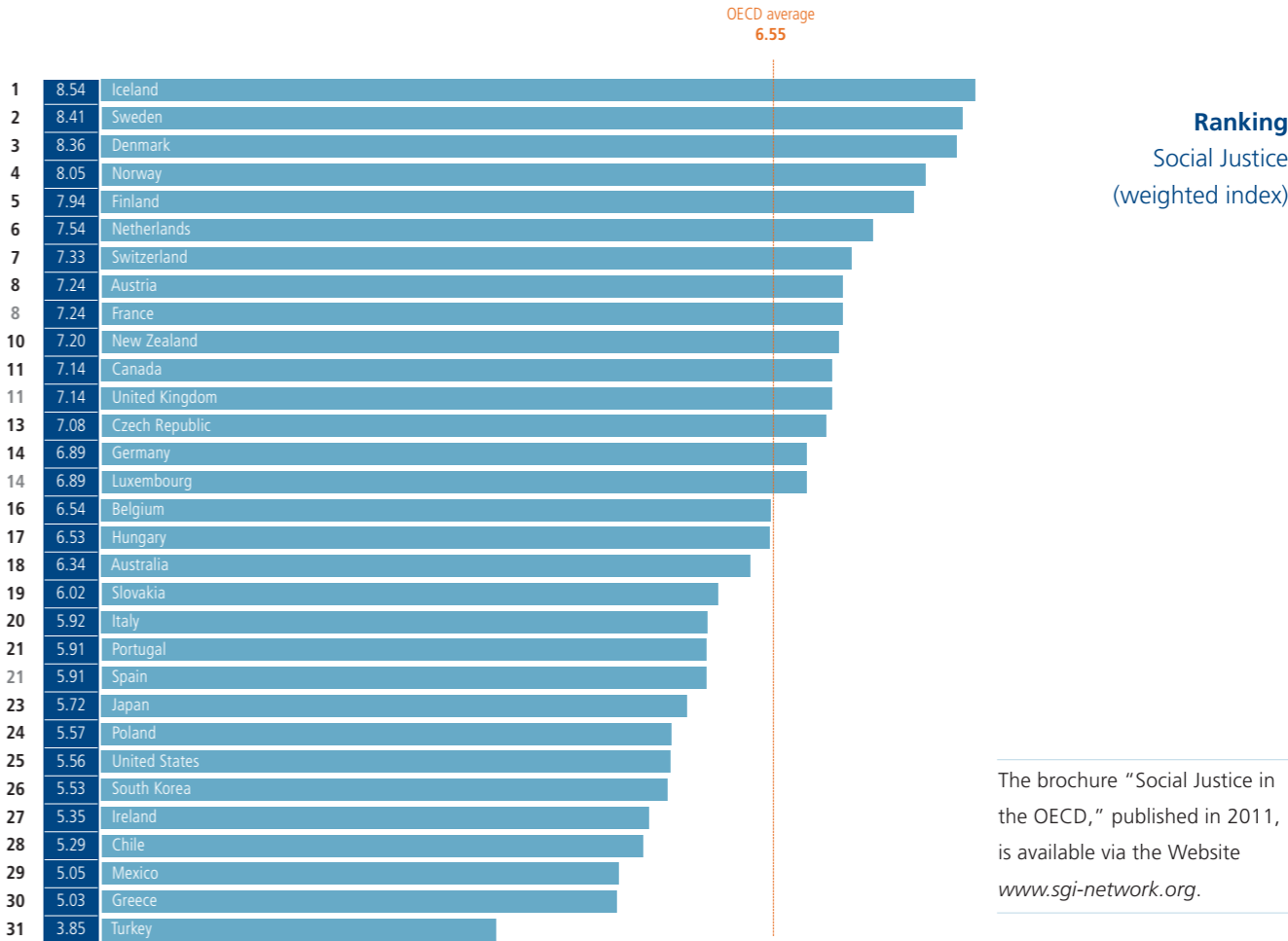
Social justice in the OECD

The special study “Social Justice in the OECD” compellingly illustrates the possibilities offered by the extensive data pool offered by the Sustainable Governance Indicators alongside the Status Index and Management Index. The study, released in early 2011, seeks to compare the level of social justice in 31 OECD states based on a selection of individual indicators in the SGI 2011. By means of a scientifically sound method, the scores are aggregated to form a sub-category.

The approach. Conceptually, the Justice Index is shaped by a contemporary understanding of justice that seeks not so much compensation for exclusion, but rather investment in inclusion. Rather than an “equalizing” distributive justice or purely formal equal opportunity based on equal rules of the game/process, the concept of inclusive justice employed here is that each individual actually enjoys the same opportunities for self-realization. This is guaranteed by targeted investment in the development of individual capabilities. Each member of the public has the opportunity to shape his or her own life and is enabled to participate in broader society. An individual’s social background – association with a certain group, for example, or another non-mainstream starting point – must not negatively affect personal plans for life.

The instrument. The SGI Justice Index is centered on this paradigm in that it covers areas in which the development of personal capabilities and opportunities for participation are of key importance. Alongside the fundamental aspect of preventing poverty, these include inclusive education and access to the job market. In addition, the level of social cohesion and actual equal treatment as well as intergenerational equity are taken into account in the index. By means of selected key indicators, for which internationally comparable data are available, evidence-based conclusions can be drawn as to the level of social justice in the surveyed OECD states and what actions are called for in the respective countries.

Social Justice Index				
Poverty Prevention	Equitable Education	Access to Labor Market	Social Cohesion and Equality	Intergenerational Justice
<ul style="list-style-type: none">Poverty rateChild povertySenior citizen poverty	<ul style="list-style-type: none">Education policyImpact of socioeconomic factors on educational performancePre-primary education	<ul style="list-style-type: none">Employment rateOlder employmentForeign-born-to-native employmentEmployment rates by gender women/menUnemployment rateLong-term unemploymentYouth unemployment ratioLow-skilled unemployment ratio	<ul style="list-style-type: none">Social inclusions (qualitative)Gini coefficientNon-discrimination (qualitative)Gender equalityIntegration policy (qualitative)	<ul style="list-style-type: none">Family policyPension policyEnvironmental policyCO₂ emissionPublic R&D spendingDebt-to-GDP



The findings

The northern European states are in a class of their own. They lead by a significant margin in the Justice Index and achieve, notably, very good scores on the key dimensions of poverty prevention and access to education. Despite its overall excellent ranking, *Sweden* is battling high youth unemployment, which is nearly three times the average unemployment rate.

Most central and northwestern European states place within the mid-range, with *France* (8) and *Great Britain* (11) ahead of *Germany* (14). The East-Central European OECD members *Czech Republic* (13), *Hungary* (17) and *Slovakia* (19) are also in the midfield, ahead of the southern European countries. *Poland* (24) alone, with its pronounced deficits in providing access to the labor market, lags somewhat behind.

The southern European nations all rank significantly below the OECD average, with *Turkey* and *Greece* occupying the two bottom positions.

Combining empirical and qualitative data for more informative results

SGI methodology makes good use of both approaches

The SGI process corresponds with the assessment process used successfully by the Bertelsmann Stiftung in its sister project, the Transformation Index (BTI).

The SGI are based on sound data capture and aggregation methods. In order to ensure proper operationalization of the individual index components, the SGI comprise a combination of qualitative and quantitative data. In this way, their strengths are put to targeted use and the weaknesses, which would result from use of one data type only, simultaneously avoided. Pairing “objective” quantitative data with highly context-sensitive, qualitative expert assessments delivers a high-resolution profile of political outcomes, the quality of democracy and political steering performance.

In order to ensure the greatest degree of reliability and validity, our data undergo several stages of review.

Quality of Democracy	Policy Performance	Executive Capacity	Executive Accountability
Electoral Process	Economy and Employment	Steering Capability	Citizens
Access to information	Social Affairs	Policy Implementation	Legislature
Civil Rights	Security	Institutional Learning	Intermediary Organizations
Rule of Law	Resources		

1. Data collection	The first expert responds to each indicator in the codebook by providing a written assessment and then scores. The assessments and scores combined establish the first country report.
2. Review	A second expert reviews and edits each individual assessment, and provides his or her own scores without seeing the scores provided by the first expert.
3. Regional calibration	The regional coordinator monitors this process, evaluating the assessments and the scores provided by each expert. Working with both experts, he then establishes the final report. Each coordinator oversees the data collection process for a region of up to 5 states.
4. Inter-regional calibration	The regional coordinators meet to compare and calibrate the results for each region.
5. Results validated	In a final step, the SGI Board evaluates and approves the final results.



Reliable data through multistage quality assurance

The quantitative data are compiled centrally by the SGI project team from official, publicly accessible statistics (primarily from OECD sources). The qualitative data are captured and examined by a worldwide network of around 80 respected researchers. The SGI Codebook, a detailed questionnaire, provides a clear explanation for each of the questions, so that all experts share a common understanding of the questions. The questionnaire includes different answer options for a precise evaluation on a scale of 1 (poorest score) to 10 (best score). Moreover, each OECD member state is assessed by two experts. In an in-depth review process with a regional coordinator, they develop a country report based on the criteria of the SGI questionnaire.

At a regional coordination conference, all survey findings are compared on the inter-regional level and calibrated in a thorough examination process. This guarantees that the reports are fully, internationally comparable. In a final validation phase, the SGI Board – a council of renowned scholars and practi-

cians – checks the findings of the regional coordination conference again and gives final approval of the qualitative data.

Following this step, all qualitative and quantitative data are linked according to a simple, additive weighting system. To ensure comparability between quantitative and qualitative data, all quantitative data are standardized by linear transformation on a scale of 1 to 10.

Fully transparent data

The innovative and interactive SGI Website www.sgi-network.org provides access to every level of aggregation, from the Status Index, Management Index and country reports right down to the individual indicators. This abundance of data and depth of analysis is unique in the field of international rankings. Newly compiled SGI are released regularly every two to three years to keep up with current developments and maintain the quality of the database. These ongoing assessments allow trend analysis, which can significantly enhance the knowledge base of political decision-makers in the respective OECD nations.

The abundance of data and depth of analysis in the SGI are internationally unique.

Resources



Sustainable Governance Indicators 2011

The new edition of the SGI survey in print. This publication includes documentation of the 2011 findings and essays on the project's conceptual framework and methodology. Summaries and strategic forecasts for each country surveyed are also included.

Available in English from the Bertelsmann Stiftung publishing house.

www.sgi-network.org

An Internet platform providing free access to all relevant SGI data. This is where you can access the full report for each country, explore individual findings or conduct comparisons between individual countries and/or topics with the help of interactive tools. Thanks to its interactive functionality, the website offers users easy access to every level of information.

Available in English.

For regular updates on current project developments, new publications and events on a timely basis, simply register as a fan on the SGI Facebook page.



Sustainable Governance in the OECD – How Fit for the Future is Germany?

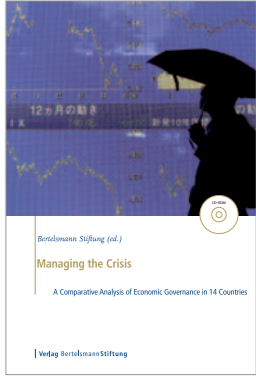
A study based on the SGI 2011 country report for Germany. It uses a strengths/weaknesses analysis drawn from the SGI criteria matrix to provide a thorough analysis of the Federal Republic's need for reform and reform capacity. Numerous illustrations allow easy comparison to other OECD countries

Available in German free of charge via the SGI Website.

Managing the Crisis

Conducted in the context of the BTI and SGI projects, this study looks at the quality of political decision-making processes against the backdrop of the global financial and economic crises. It analyzes the economic crisis management in 14 national economies and offers insight into similarities and differences between political priorities and strategic decisions.

Available in English free of charge via the SGI and BTI Websites.



Social Justice in the OECD

Released in early 2011, this study is a comparative analysis of social justice in 31 OECD states. It derives from a selection of indicators from the SGI 2011, aggregated to create a sub-index of participatory justice. The German version focuses on Germany's standing in the international ranking.

Available in German or English free of charge via the SGI Website (English version available as of summer 2011).

Policy-making in International Comparison

The fifth edition of the Bertelsmann Transformation Index (BTI). Grounded in individual country reports, this ranking compares transformation processes on a global scale. The BTI explores the state of democratic and market economic development as well as the quality of governance in 128 countries undergoing transformation.

The BTI 2012 is scheduled to appear in November 2011. All findings are available online. www.bertelsmann-transformation-index.de



SGI board and regional coordinators

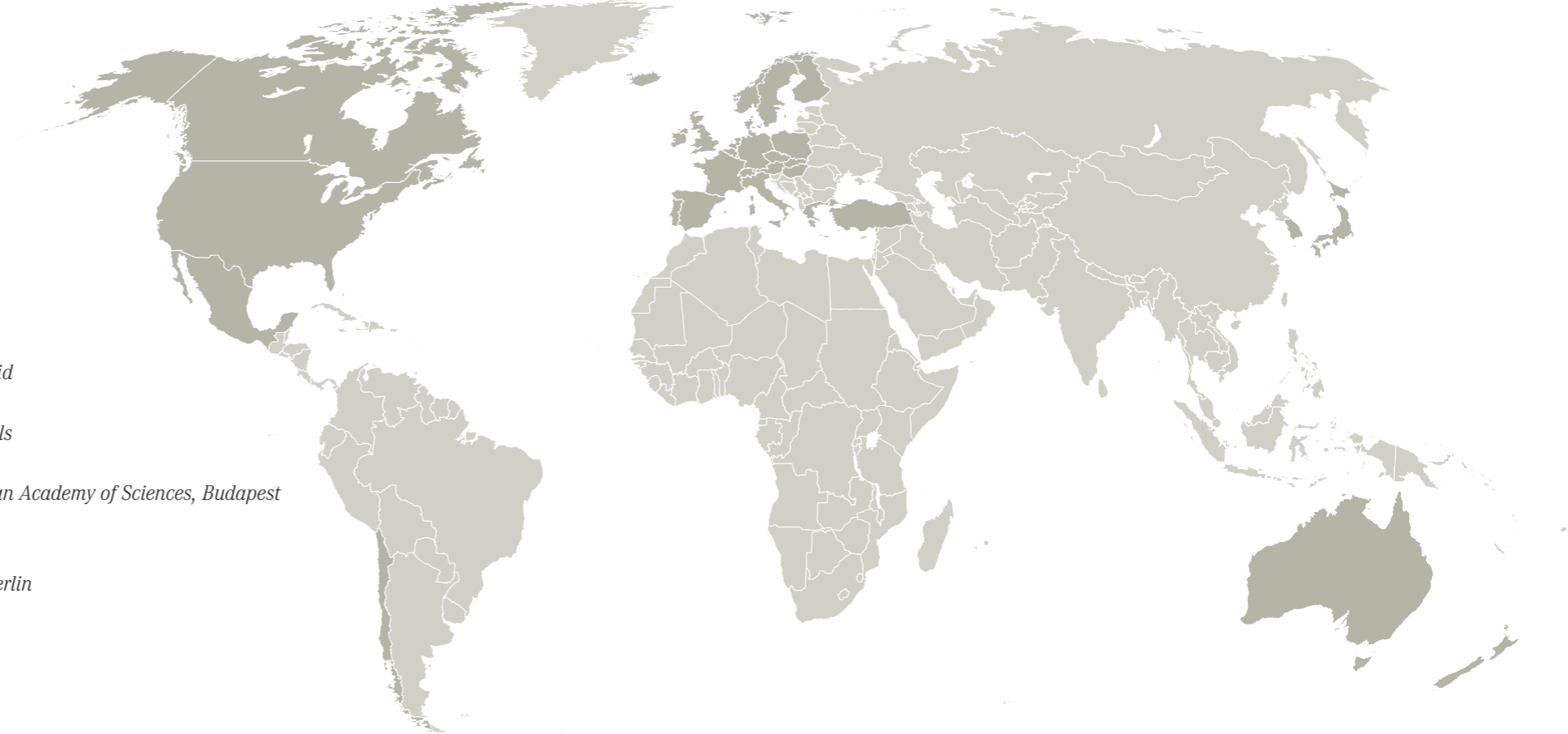
SGI Board members include a wide range of policy-making experts, from scholars to practitioners.

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