

To Comparability And Beyond

Compliance with HICP regulation in the European Union



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List of abbreviations

CPI:	Consumer Price Index
DG ECFIN:	Directorate General of Economic and Financial Affairs
EC :	European Commission
ECB:	European Central Bank
ECJ :	European Court of Justice
EEA:	European Economic Area
EFTA:	European Free Trade Association
ESA:	European Standardized Accounts
ESS:	European Statistical System
EU :	European Union
GDP :	Gross Domestic Product
HFMCE:	Household Final Monetary Consumption Expenditure
HICP:	Harmonized Index of Consumer Prices
IMF:	International Monetary Fund
NSI :	National Statistical Institute
NSS:	National Statistical System
VAT:	Value Added Tax

Chapter 1: Introduction

Statistics and scandal. Not an obvious combination. Statistics and statisticians are boring right? A recent scandal surrounding statistics in the European Union proves just the opposite.

An interesting case is found in Greece. Complying with European standards is at the heart of a heated debate. After the elections in 2009 the new Greek government announced that the budget deficit was 12,7% of the GDP instead of the previous estimate of 6% (Lane, 2012: 56). Mr. Georgiou, a Greek official at IMF, was appointed in 2010 as head of the Greek National Statistical Institute and was tasked with producing reliable statistics. Under his leadership the deficit was adjusted to 13,6%. These revisions led to large bailout packages that caused much political turmoil within the EU and beyond. Mr. Georgiou is currently on trial for undermining the national interest. His defense, which is backed by the EC, is that he only applied Greek and European statistical regulation.

The EC sent a letter to the Greek Minister of Finance that it follows the investigation into Mr. Georgiou with concern. The importance of reliable statistics was emphasized in the letter: *‘policy decisions by the Greek authorities, including under economic and financial support programs, as well as international investments, depend on reliable, credible and independently compiled data, which comply with internationally agreed standards’* (European Commission, 2016). The quality of Greek statistics remains a concern for European organizations (NOS a, 2017). This case was the incentive to dive deeper into the issue of compliance with statistical legislation.

The Greek case shows that the international agreed standards, the law in the books, is not necessarily the law in practice. Official, impartial statistics are important for the functioning of the democracy and economic markets (Giovannini, 2008: 182). Especially in a polity such as the EU with many different languages, numerical instead of textual information can provide a language understandable to all (Sverdrup, 2006: 105). Differences in the methods with which statistics are compiled, by official agencies and non-official by advocacy groups, create uncertainty (Giovannini, 2008: 178). This uncertainty does not promote informed decisions and therefore a healthy functioning of markets and democracy. Besides this point, non-compliance with European legislation in general is harmful for the reputation of the EU (Falkner, 2013). The Greek case points to a specific importance of compliance with statistical regulation.

An impressive, and sometimes confusing, body of research exists on Europeanization and related concepts such as implementation and compliance of legislation. Compliance with statistical legislation has not yet been researched. Initiating this legislation is an effort of the EC, acted out by Eurostat (European Statistical System a, n.d.). The task of Eurostat is to provide the European institutions and the general public with high-quality statistics that can be compared between member states (Eurostat a, n.d.). They do this by cooperation within and developing the European Statistical System (ESS). ESS is a partnership of Eurostat, national statistical institutes (NSIs) and other national organizations that produce statistics (European Statistical System b, n.d.). The NSIs and other national organization together form a national statistical system (NSS). The EEA and EFTA countries are also part of the ESS. Eurostat is dependent on the NSIs to provide them with national statistics, because European statistics are compiled from national statistics. There are many regulations and also a code of practice that prescribe the way in which NSIs should collect and provide data to Eurostat. But to what extent are the regulations correctly applied? Do member states comply with the 'law in the books'? These observations lead to the following research question: *To what extent are member states compliant with statistical regulation in the European Union, and what role do the goodness-of-fit and administrative capacity arguments play in this process?*

The type and purpose of this research will be to test two theoretical explanations, goodness-of-fit and administrative capacity, for compliance with statistical regulation. The societal relevance of this research is that statistics have a big impact on the decision making process in the EU. Most political scientists are consumers of statistics, while only few have looked at statistics as a way to influence political decision-making (Sverdrup, 2006: 104). The regulation which will be studied here, is the Harmonized Index of Consumer Price Index (HICP). This regulation forms the basis of the monetary policy of the ECB. Indirectly, this impacts the everyday life of European citizens, from their food to the Euro's with which they pay for their groceries. The theoretical relevance of this research will be to fill a gap in the existing volume of research on compliance. In chapter 2, the literature review, the volume of research will be discussed. In chapter 3 hypotheses will be formed based on the most promising theories from the literature review. Chapter 4 will discuss the research methods. In chapter 5 the HICP regulations, the methodology and enforcement will be reviewed. In chapter 6 compliance in the member states will be researched. Chapter 7 will combine the previous chapters and analyze the compliance with statistical regulation in the EU. Chapter 8 will offer a conclusion on the topic and answer to the research question.

Chapter 2: Literature Review

After a short discussion on the ‘umbrella concept’ Europeanization, a discussion on the definitions used in this research field will follow. Putting implementation and compliance into the broader perspective of Europeanization will provide theoretical background to these concepts. A common critique on the literature is the lack of a coherent use of definitions. A discussion on definitions will show this incoherence and provides a clear overview. The literature review will focus on implementation and compliance. The theoretical approaches to implementation and compliance will be divided into four groups: legal and administrative aspects, misfit and mediating factors, domestic politics and enforcement.

2.1 Europeanization

‘It has not been tidy’ is what Bulmer (2007: 48) writes about the process of theorizing Europeanization. The definitions used for different concepts regarding Europeanization are far from coherent as a page long overview in Bulmer and Lequesne (2005: 12) shows. Since Europeanization does not consist of a single theory, but rather describes a broad phenomenon, this lack in a coherent use of definitions is not surprising. A definition that is rather short, but also complete is: ‘the process of change affecting domestic institutions, politics and public policy’ (Radaelli, 2012: 1). This change occurs because the European level influences institutions, politics and/or policies in the member states. An important side note is that this change does not necessarily lead to similar policies and institutional and political structures in every member state (Green Cowles and Risse 2001: 236).

This process works through different mechanisms which include education, declarations, benchmarks, peer reviews, assessment exercises and statistical tools (Saurugger, 2012: p. 114). Besides these instruments, EU policy implementation and compliance is an important part of Europeanization (Sverdrup, 2007: 197). Policy design, negotiation and legitimation offer points of access for influencing this process as well. The scope of this thesis does not allow for an extensive discussion on all these concepts, the focus will be on the last phase of EU policy making: implementation and compliance.

2.2 Definitions of Implementation and Compliance

As was already mentioned, implementation of and compliance with EU legislation are two important aspects of Europeanization. Implementation and compliance can be regarded as ‘two sides of the same coin’ (Treib, 2014: 5). According to Treib, implementation focusses on

the process of implementing EU legislation, while compliance focusses on the outcome of this process. However, the terms are used interchangeably in the literature and can be difficult to disentangle in the real world. The reasons behind compliance can be part of the implementation process, thus it is important to look at both sides of the coin. According to Treib (2014) implementation and compliance can be studied in three stages: transposition, application and enforcement. Transposition deals with the legal implementation of EU law into national law, while application and enforcement are the processes that happen after legal implementation. Noteworthy here is the lack of a clear definition on these concepts in such an extensive overview. This again shows the importance of discussing definitions.

Breaking implementation into different stages is also done by other authors. For example legal, formal and judicial implementation refer to the transposition of EU directives into national law (Versluis, 2007: 53). So what is meant by legal, formal and judicial implementation is the same as transposition. Practical or administrative implementation refers to putting the law into action (Versluis, 2007: 53). However, Toshkov et al (2010) define administrative implementation as: '*actions that the public administration undertakes in order to ensure compliance*'. In this view, administrative implementation can be seen as a form of pre-application, located somewhere in the grey zone between transposition and application.

The study by Falkner et al (2005: 18) define compliance as the enforcement of EU legislation in the member states. An important divide in (non)-compliance research is whether researchers look at compliance being 'on time' and/or correct. Another use for the definition of compliance is illustrated in an article on decoupled compliance by Zhelyazkova et al (2016). For them practical compliance is described as adhering to the law in practice, thus correct application and enforcement. Legal compliance is described as following the law in the books, which can be defined as correct transposition and/or application (Zhelyazkova et al., 2016: p. 827). This will mainly depend on the legal instrument used. In the case of a directive, legal compliance is correct transposition and application. When looking at regulations, legal compliance is only correct application. The impact of this incoherent literature is noticeable in the several literature overviews, reviews and research syntheses. These chapters or articles use largely the same theoretical concepts discussing all or different stages of implementation and/or compliance.

Before continuing, a coherent overview of the definitions is in order. The biggest theoretical and empirical divide is between legal and practical implementation. *Legal*

implementation is defined here as the process of transposition of EU directives into national law. *Practical implementation* can be divided into three different processes: pre-application, application and enforcement. *Pre-application* is the phase in which the administration prepares for application. This phase differs from legal implementation, because the legal requirements are already in place. *Application* is relatively straightforward: applying the legislation. This process is never exactly the same, since it is highly dependent on the specific legislation. *Enforcement* is defined as the process of monitoring the application process and sanctioning non-compliance through fines or other instruments. The processes of application and enforcement lead to (non)-compliance. *Compliance* is defined as the correct application of a specific legislation. *Non-compliance* is defined as the incorrect application of a specific legislation. The process of application will determine whether there is (non)-compliance. The process of enforcement determines whether compliance is monitored, and thus what the durability of compliance is.

Following this line of thinking, authors who use the term implementation or compliance for transposition only tell half the story. Problems in the transposition stage can lead to problems with application, thus leading to non-compliance with the regulation. However, also a correctly transposed law can still face problems in the application stage. Enforcement efforts by both the responsible domestic and European actors will determine whether incorrect transposition and application can go unnoticed and/or unsanctioned. Since it is often unclear what definitions authors use exactly, the remainder of the literature review will use original definitions wherever considered appropriate. The literature review kicks off with a discussion on legal and administrative aspects regarding implementation and compliance.

2.3 Legal and Administrative Aspects

Tallberg (2002: 613) discusses the management approach as a theoretical group within compliance research. This approach argues that non-compliance is the result from limited capacity and uncertainty about legislation. This approach fits with the ideas of the first researchers on implementation and compliance. They mainly regarded implementation and compliance as apolitical processes and ascribed problems on implementation and compliance to legal or administrative reasons in the member states. It is important to note that these first researchers discussed implementation as a whole, without much distinction between transposition, application and enforcement. They based themselves upon implementation

studies at the national level (Treib, 2014: 7). The roles of parliaments and advocacy groups were also studied (Mastenbroek, 2005: 1108). However, politically influenced variables will be discussed separately later in the section on domestic politics. The complexity of a directive, its novelty, its specialization level, voting rules, discretion and text length all focus on how legal aspects affect compliance (Toshkov, 2010 and Angelova et al, 2012). However, results on these variables are mixed, which makes it difficult to distinguish important legal variables.

Administrative capacity is the most important variable from the administrative approach that has stand the test of time. It made a comeback in studying the differences between the ‘old’ and ‘new’ member states (Toshkov et al, 2010). A general definition on administrative capacity is the ability of a government to enforce and implement decisions (Maniokas, 2009: 3). Toshov (2010: 27) reports a strong positive relationship between administrative capacity and compliance. This view is also shared by Zhelyazkova et al (2016: 841) in their article on decoupled compliance. Due to their research angle, they distinguish between compliance with the law in the books and the law in action. They find that administrative capabilities increase the likelihood of compliance with the law in action. Corruption has a negative effect, while GDP and fiscal and financial resources do not explain compliance. In a study on the robustness of compliance findings, Angelova et al (2012: 1278) find that administrative efficiency does not explain compliance in general, but the positive effect in case studies is always confirmed. The tendency of case studies to confirm their choice of theory further diminishes this variable. However, the exclusion of countries and policy sectors might have also impacted the findings (Angelova et al, 2012: 1283). The variables federalism and regionalism do not have a positive effect on compliance (Toshkov, 2010: 24). Federalism, as part of the greater ‘variable-unit’ institutional decision-making constraints, also reports a positive effect in Angelova et al (2012: 1276). However, since it is incorporated in a larger unit, it is difficult to establish the explanatory power of the variable on its own. The next group of factors under consideration is the goodness-of-fit and the mediating factors that accompany it.

2.4 Goodness-of-fit and mediating factors

The goodness-of-fit, misfit or mismatch theory is a theoretically strong, but empirically contested theory in the literature on implementation and compliance (Mastenbroek, 2005: 1109, Toshkov et al, 2010: 19). The second wave of implementation and compliance research discussed the misfit between the domestic and EU level. A big advantage of this theory

regarding the research question here is that the misfit theory also discussed practical implementation (Treib, 2014: 9).

Many authors used this approach and falsified or verified certain aspects of the theory. The theory is derived from an article by H eritier (1995) in which she claims that member states want to upload their policies to minimize adaptation costs. An early hypothesis on the fit, also focusing on costs, comes from Duina (1997: 158): *'When a directive is in line with the current policy legacy of a country and with the organization of interest groups, it is well implemented. When it envisions major policy shifts and the reorganization of interest groups, it suffers from poor implementation'*. With the focus on costs these authors take a rationalist standpoint on goodness-of-fit. It is also argued that the goodness-of-fit theory has a historical institutionalist perspective (Treib, 2014: 8). Choices regarding policies and institutions impact the status quo, and along these lines, the fit with the policy that challenges this status quo.

In its most basic form the 'fit' of the policy or institution between the European and domestic level is the focus of this approach (Bulmer, 2007: 51). A misfit between the two levels will result in adaption pressure from the European level. This pressure can be different between countries and policies (Green Cowles and Risse, 2001: 225). A misfit is seen as a necessary condition for change, not a sufficient one by B rzel (2005: 52). Thus, mediating factors must be incorporated. These factors will be discussed after the explanation of the 'core' of the theory. The wealth of mediating factors makes the goodness-of-fit theory a dynamic theory, contrary to the criticism that it is too static. However, H eritier (2001: 288) claims that the goodness-of-fit theory is neither a necessary nor a sufficient condition for change. It is also argued that the goodness-of-fit theory is only relevant for market-correcting policies because of the limited room to maneuver (B rzel, 2005: 51). This critique would make the goodness-of-fit theory less suited for research into the transposition of directives, but its usefulness for research into application of EU legislation in general is not contested by this view.

Adaption pressures resulting from a misfit can lead to several outcomes (B rzel, 2005: 58-59). Inertia refers to non-compliance. Member states that resist any change, fall within this category. Retrenchment is described as negative compliance. Instead of converging legislation due to EU efforts, the domestic legislation diverges from the EU standards. Absorption, accommodation and transformation are three outcomes that all exhibit some level of compliance. When member states absorb EU legislation the overall degree of change is low,

because big changes to the status quo are not necessary. In the case of accommodation the degree of change is moderate. The member state has to adjust some of its institutions and/or policies, but no large changes to its core are required. When the outcome is transformation, member states face a large degree of change. Core structures and/or policies change as a result of EU legislation.

In an article a decade after the article in which he discussed the goodness-of-fit theory, Duina (2007) defends the theory. When looking specifically at implementation and compliance, misfit remains a very good starting point. As he argues, the involvement of actors has always been part of the goodness-of-fit theory. An advantage of the goodness-of-fit theory is that they specify what actors matter at what stage of implementation. Legislators, administrators, interest groups or even judges can all influence success of implementation. After discussing the most basic framework of the misfit theory, it is important to discuss the variations of misfit. Four variations of misfit can be identified: institutional, legal, normative and policy (Toshkov et al, 2010: 19). An institutional misfit occurs when the EU '*challenges domestic rules and procedures and the collective understanding attached to them*' (Börzel, 2005: 50). A legal misfit entails a misfit between the EU legislation and the domestic judicial system (Steunenberg and Toshkov, 2009). A normative misfit looks at the difference between the European and domestic norms (Dimitrova and Rhinard, 2005). Finally, a policy misfit discusses the difference between European and domestic policies (Börzel, 2005: 50). The policy misfit has received most attention in the literature (Toshkov et al, 2010: 19). According to Börzel and Risse (2000: 5) 'policy misfit essentially equals compliance problems'. We will return to this statement in chapter 7. First, it is important to dive deeper into the mechanisms behind the goodness-of-fit approach.

A discussion on the most important mediating variables will round up this part on the goodness-of-fit theory. Mediating factors include but are not limited to: (institutional) veto points or players, supporting formal institutions, political and organizational cultures, differential empowerment of actors, norm entrepreneurs, cooperative informal institutions and learning (Green Cowles and Risse, 2001: 226-231 and Börzel, 2005: 61). The most frequently used mediating factors can be divided into rationalist and sociological institutional perspectives. A rationalist mediating factor is the inclusion of (institutional) veto points and/or players. This places a big emphasis on political preferences. The idea is that veto points give actors within the member states the ability to block certain legislation (Haverland, 2000: 85). Since veto points only offer the possibility of blocking legislation, the definition of veto

players was added to this concept in order to take the preferences into account as well. There are many differences in the way in which authors use the veto point or player argument (Toshkov et al, 2010: 21). Toshkov (2010: 35) shows that the variables of veto players affect compliance negatively. A similar finding on veto players is seen in the article by Angelova et al (2012: 1278), who argue that fewer veto players with diverse preferences constrain compliance to a lesser extent than a large number of veto players. Findings on veto players, as part of the larger variable institutional decision-making constraints, seem robust. However, the results on preferences in the same article are inconclusive. Since the mediating factors of veto players and preferences are related, this is a surprising result. The explanatory power of institutional vetoes and goodness-of-fit are compared by including the stage of practical implementation into the analysis by Bailey (2002). By including the stage of practical implementation into the analysis, he finds that the institutional vetoes are important during legal implementation, but the goodness-of-fit theory explains better during practical implementation. A second rationalist mediating factor is the existence of 'facilitating formal institutions' (Risse et al, 2001: 9). These institutions can give member states material or ideational support in their implementation process. This mediating factor is related to the administrative capacity arguments made earlier in this literature review, since facilitating formal institutions expand administrative capacity in the institutions who make use of them.

The presence of norm entrepreneurs and cooperative informal institutions are two examples of sociological institutionalist mediating factors (Börzel, 2005: 54). When implementation has the objective to change norms or socialize member states, these factors offer a good framework to test the goodness-of-fit theory. The explanatory power of these variables has not been compared and tested as the veto player argument has been. This makes it difficult to place a value on these concepts. The sociological influences are often mentioned under the legitimacy approach. Together with the management and enforcement approach they form yet another divide in the Europeanization literature. Toshkov (2010: 36) reports a positive effect of misfit on compliance in the general case, but warns for its usefulness in the social and transport policy sectors in quantitative studies. However, in a re-analysis of the data by Falkner et al (2005) on compliance with six social policy directives, Thomson (2007) finds a strong relationship between misfit and compliance. Toshkov et al (2010) argue that the empirical support for the misfit theory is very limited in qualitative studies. Angelova et al (2012) shows that the goodness-of-fit findings are robust across research designs. These

mixed results led researchers to look for other, more political influenced, variables which will be discussed in the next section.

2.5 Bringing Politics ‘Back Into the Game’

The limited explanatory power of the goodness-of-fit theory resulted in an increased attention for domestic politics (Mastenbroek, 2005, Toshkov et al, 2010 and Treib, 2014). The variety in aspects of domestic politics is large in this strand of literature. Some of these political variables have already been discussed as mediating factors in the previous section. A big disadvantage of these political variables, regarding the scope of this paper, is the lack of attention for application and enforcement. Researchers mainly look at the legal implementation stage.

Domestic support for the EU policies is an important issue in this category. Preference related arguments on domestic conflict, related to the veto player argument, have a negative effect on compliance (Toshkov, 2010: 35). The proof in quantitative studies for the impact of political constraints, disagreement with the legislation and EU level conflict are inconclusive (Toshkov, 2010: 36). Political explanations in case studies show a high explanatory power (Toshkov et al, 2010: 21). However, these issues have only been tested on directives. The transposition of EU laws into national law opens up the domestic arena more than legislation that does not need to be transposed. Zhelyazkova et al (2016: 843) find that political support does not ensure effective implementation in practice and there is no influence of preferences of political actors on practical compliance. In the research synthesis by Angelova et al (2012) there is limited support for the importance of ‘preference fit’. All in all, there is limited support for this variable and the lack of studies focusing on application is an important shortcoming.

Another variable in this category is salience. Kaeding (2007) argues that when salience is high, the administration will prioritize transposition. An exception on the focus on legal implementation is the article by Versluis (2007). She argues that by including the phase of practical implementation, salience explains the differences between implementation outcomes in the Netherlands, United Kingdom, Spain and Germany. However, a close reading of this article also allows for the impact of limited administrative capabilities. When actors have to prioritize, and thus take salience into account, this points to insufficient administrative capabilities. Something along these lines is also mentioned by Toshkov et al (2010), who state

that a lack of resources, expertise, supervision and enforcement instruments also play a part in implementation outcomes.

Another explanation for compliance worth mentioning is culture. The most important study on this variable has been on six directives on social policy, where three cultures in the EU-15 are identified (Falkner et al, 2005). Within the worlds of law observance, domestic politics and transposition neglect, member states are supposed to differ in their stance on compliance. When analyzing some countries of the Eastern enlargement, a fourth world of dead letters was set up. Angelova et al (2012: 1278) show that the findings for cultural explanations are robust. However, the small number of studies warrants caution. Using the original data, Thomson (2007) has done a study on the timeliness of legal implementation. He found more support for the goodness-of-fit theory and discretion. Toshkov (2007) also argues that the 'worlds of compliance' do not give an explanation for compliance findings.

The last noteworthy issue regarding domestic politics is the enforcement approach mentioned by Tallberg (2002: 611) claims that compliance is influenced by the preferences and priorities of the member states. This approach rests heavily on rationalist assumptions on the actors. Monitoring and sanctions are an important part of this approach, because they change the preferences of the actors. The possibility of sanctions can have a deterring effect, thus making the actors choose compliance over non-compliance. A discussion on data sources which take monitoring and enforcement into account, brings this literature review to the last group of possible explanations for implementation and compliance.

2.6 Rulings from the European Court of Justice and Infringement Procedures

Researchers have studied compliance using ECJ rulings and infringement proceedings. Besides timeliness of transposition, they also measure application and enforcement. ECJ rulings provide researchers a possibility to study application problems (Falkner et al, 2005: 19). Studies on infringement procedures focus on the EC enforcement policies. An important downside of this category is the assumption that monitoring is perfect. It is expected that there are flaws in monitoring (Bieber and Maiani, 2014: 1087). First, the EC mainly depends on the member states for information on legal and practical implementation. Second, due to budgetary constraints, the EC cannot monitor the situation in the member states themselves. This chapter has discussed categories and variables that are found within the research volume on implementation and compliance. The next chapter will select the theoretical assumptions which are suited for research into compliance with HICP regulation within the EU.

Chapter 3: Theory and Hypotheses

Overall, authors agree that the narrow focus of EU implementation research has resulted in a ‘black box’ or ‘black hole’ regarding application and enforcement (Mastenbroek 2005, Versluis 2007, Toshkov 2010, Toshkov et al 2010, Falkner 2013, Treib 2014). The scarce amount of research that has been done on this topic shows that the law in the books is not necessarily the law in practice. It is important to know where the gaps are in order to justify the choice for a specific case, that can fill gaps in the literature. The gaps are identified according to implementation stage, type of EU legislation and policy area. After discussing these gaps, the next step is to identify a relevant theoretical approach in order to explain non-compliance in the case.

3.1 Implementation Stages

The literature review in the previous chapter showed that most studies focus on the legal implementation phase. Early studies on administrative capacity and goodness-of-fit did study the entire implementation, but did not define application and/or enforcement. The few studies that did study application and enforcement found that there were big challenges regarding these stages (Versluis 2004: 13) Correct application and enforcement are important to the success of EU legislation. The law in the books must be the same as the law in action for EU legislation to have a converging effect on the member states. Due to this gap in the literature, it is important to focus on the application and enforcement stage. The next section will discuss the second gap of the types of legislation studied.

3.2 Types of EU Legislation

Most studies focus on the legal implementation of directives. Other legal instruments, such as regulations, are underrepresented. However, the study of regulations is promising since this instrument does not allow for different domestic interpretations of the same EU legal text (Treib, 2014: 16). By studying regulations, one can immediately study application and enforcement. Since regulations do not have to be transposed, the stage of legal implementation becomes irrelevant. The stage of pre-application as was mentioned in the literature review becomes more important in the study of regulations. Preparing to meet the requirements in legislation does not limit itself to legal transposition, but also meeting system requirements or setting up enforcement mechanisms. Regulations might be directly applicable, but preparatory work still needs to be done.

3.3 Policy Areas and Member States

Apart from an overrepresentation of directives, there is also a overrepresentation of policy areas and member states. The most popular policy areas have been environment and social policy (Treib, 2014: 17). Sector specific mechanisms might drive researchers away from certain explanations that could be helpful in others. Therefore, it is important to broaden the scope to policy areas that have received little attention, but have made a big impact on the EU and its member states.

The final gap in the literature on implementation and compliance concerns the country selection. Germany, the Netherlands, Spain and the UK are overrepresented in the literature (Treib, 2014: 16 and Angelova et al, 2012: 1282). Countries that have hardly been studied are the Nordic countries, Luxembourg, Portugal, Austria and Greece. Especially in case studies, this difference in coverage is striking. Although it would be preferred to study all countries, due to constraints, only a limited amount of studies have done so. Treib (2014: 16) suggest that when a selection has to be made, the selection should consist of countries that are different in size, GDP, political and administrative structures, length of EU membership and so on. Using these criteria will result in a country selection that takes the diversity of EU member states into consideration. Country specific aspects, as well as policy specifics, might steer researchers away from variables that can prove very useful in explaining implementation and compliance in general.

3.4 Theoretical Framework and Hypotheses

Due to the identified four gaps in the literature, it is important to use a theory that has proven its usefulness across different fields. The best candidate is the goodness-of-fit approach. The extensive theoretical framework, clear conceptualizations and extensive empirical record make it the best candidate. Although the empirical results are mixed, authors have studied the application and the enforcement stage as well. Another reason for this theory is its robust findings reported by Angelova et al (2012). It is promising since the theory holds its explanatory power across different operationalizations. A critique mentioned in the literature review also points in the direction of the goodness-of-fit theory for this case. It was mentioned that the theory is only relevant for market correcting measures because there is limited room to maneuver. This would make the goodness-of-fit theory well-suited for regulations. Regulations do not have to be transposed into national legislation, so the room to maneuver is already very limited or non-existent. In the literature review, different types of misfit were

identified. Since this research is a cross-national case study of one regulation, the policy misfit is the most suited.

In its most basic form, the goodness-of-fit theory assumes that implementing policies is a complicated endeavor. As discussed in the literature review, a misfit between the EU and domestic policy creates adaption pressure. Even though implementing policies is a complicated task, institutions face pressures to make the necessary changes. The degree of misfit between the EU and domestic policy will determine the extent to which the domestic institution must change their existing policies. A higher degree of misfit will ask for a higher degree of change by the domestic institution. On the contrary, a lower degree of misfit will ask for a lower degree of change. The goodness-of-fit theory assumes that the degree of change is inversely related to the implementation success. When an institution must do a complete overhaul of its policies, it will face more problems than one that is required to only make slight changes to existing policies. It is argued that especially statistical institutions are influenced by past decisions since they collect, analyze and present new data in categories of the past (Sverdrup, 2006: 106). Thus, domestic change resulting from an EU policy depends on the degree of misfit between the EU and domestic level. This results in the first hypothesis:

Hypothesis 1: When there is a high degree of misfit between the existing domestic policy and the new EU policy, it will be more difficult for an institution to comply.

Adding another variable to the goodness-of-fit is important for its application since the misfit is a necessary condition of change, but not sufficient. Variables such as veto players and other politically influenced factors have only been tested on the legal implementation of directives. A concept that could be helpful to explain compliance in this case is administrative capacity. Administrative capacities have also been used to explain implementation difficulties regarding application and enforcement. The assumption behind this theoretical approach is that implementing legislation is a complicated task that requires sufficient resources from an institution. In a way, the goodness-of-fit and the administrative capacity arguments are related. Both assume that changing the domestic practice as a result of implementing EU regulation, can lead to problems. However, the administrative capacity argument assumes that this difficulty is due to a lack of resources. A lack of financial and/or skilled staff or other issues can result in limited administrative capacity. This mechanism is behind the second hypothesis:

Hypothesis 2: A member state with limited administrative capabilities will face more difficulties to comply with EU legislation.

Chapter 4: Research Design

The previous chapter focused on the theoretical framework which will guide the analysis of the case. In this chapter the research design will be discussed which will frame the data collection and analysis. This chapter will begin by discussing the advantages and disadvantages of qualitative and quantitative approaches in the case of compliance with statistical regulations. The case selection process, based on the gaps in the literature, will be discussed after. An extensive deliberation on the specific case study design and data collection will follow. This chapter will close of with a discussion of the reliability and validity of the chosen research design.

4.1 Qualitative and Quantitative Approaches

Both qualitative and quantitative approaches have their advantages and disadvantages. Studies using quantitative research methods have the ability to include more member states, policy sectors and time periods. However, they depend on the data made available by the EC. As was already discussed in the literature review, the dependency on member states for information on compliance and limited resources at the EC, show that this data source is not free of disadvantages. Qualitative approaches are also not without their limitations. The more in-depth approach usually does not allow for a big case selection. Besides some large collaborative projects, most studies are small-N. The quality of the data differs between studies. Those researches that rely on information from the EC, will face the same problems as researchers who use quantitative data. However, qualitative studies that combine multiple sources of data can compensate for this issue. In this research design, both documents from the EC and NSIs and interviews at the European and national level will be used for qualitative data collection.

4.2 Case Selection

One policy area that has received little attention is legislation on the monetary union. The EMU has been very influential during the last years. An important, but largely unknown, institution in the emergence of the EMU is Eurostat. The collection of data on debts and deficits is important for the functioning of the entire EU (Eurostat a, 2016). As mentioned in the introduction, non-compliance regarding the application and enforcement stage can cause great problems within the EU. In the early years of the EMU two instruments were introduced: the creation of an accounting scheme and the establishment of a harmonized index of

consumer prices (Sverdrup, 2006: 118). The introduction of European Standardized Accounts (ESA) was derived from UN accounting standards. These standards were slightly adapted to match the needs for the EMU. The introduction of the HICP provided the EC an instrument to harmonize the measurement of inflation in all member states. This is important information for monetary policy. The stable development of prices, inflation, is important for economic development. Maintaining stable prices, defined as striving for an inflation rate of 2%, is the main task for the ECB (ECB, n.d.).

These instruments, the creation of ESA and HICP, were necessary to establish a level playing field regarding the measurement of EMU standards. However, due to political pressures at the time, it was difficult for Eurostat to establish this level playing field. Although highly technical instruments of a rather small part of the EC, their impact on the future of the EU is undoubtedly large. One of these instruments, the HICP, will be the focus in the remainder of this thesis. The decision for this specific policy area, instead of choosing another monetary related regulation, rests on the introduction of new regulation in 2016. Regulation 2016/792/EU establishes a new framework regarding the development, production and publishing of the HICP. Although the regulation was immediately binding and applicable in all member states, the regulation only concerns data from 2017 onwards. This means that the application of the regulation is now unfolding.

The case selection is concluded by choosing member states. Due to constraints, it is impossible to study all member states. Considering that the regulation on statistics is often also relevant for the EEA and EFTA, the scope of this research would be even bigger. In consideration of the criteria mentioned by Treib, a country selection taking different factors into account will slightly enlarge the limited external validity of this small-N case study. The following countries will be studied: Luxembourg, Austria, Poland, Ireland and Sweden (see Annex 1 for background information). This selection has large, medium and small countries based on economic and population size. There is also a diversity of length of EU membership, political and administrative structures and their position within the EMU.

4.3 Case Study Design

The case study will be divided in two parts. In the first case chapter, the framework regulation, its background and the European context will be discussed. The second case chapter will discuss the compliance in the selected countries. After the case study chapters, the analysis will follow in which the explanatory power of the goodness-of-fit and administrative capacity

approaches will be tested. This outline will provide a clear build-up of the argument made in the conclusion. In the conclusion the shortcomings of this research will be discussed. However, the purpose of this chapter is to limit the shortcomings regarding methodology as much as possible. These shortcomings can lead to new research into this interesting field. The exact method which will be used, process tracing, will be discussed now.

Process-tracing considers how a process unfolds over time and zooms in on the causal mechanisms (Panke, 2012: 129). Due to its specific focus on the causal mechanisms, this approach allows the researcher to establish not merely correlation between the variables but also causality. This approach enhances the ability to test the hypotheses. Due to the small-N in this research process-tracing is helpful to test two hypotheses on the same case. The limited number of cases is a shortcoming, but by using process-tracing the internal validity is high (Panke, 2012: 137). However, using process tracing as a technique is not without its own shortcomings. Alternative explanations might lead to similar patterns to those found in EU-level factors (Haverland, 2007: 69). Putting process-tracing in practice in this case study design entails the retracing of steps considering the two hypotheses. What was the role of the fit and of administrative capacities in achieving compliance? Through careful consideration of the causal mechanisms described in chapter 3, this approach allows to trace the process of the development, application and enforcement of HICP regulation in the member states. Desk research, as well as interviews, will be used to trace the origins of non-compliance in the member states. Next to questions regarding the theoretical framework, there will also be the opportunity for interviewees to bring other matters regarding compliance to the attention of the researcher. As discussed in the literature review, the tendency of case studies to confirm their choice of theory further diminishes the explanatory power of the study. By opening the interview up to all kinds of elements that the expert might notice, this risk is decreased. Besides this element of process-tracing and interviewing, there are more issues regarding these issues that need to be discussed.

As Tansey (2007) argues, process-tracing has focused too much on document research. Elite interviewing can be a helpful tool in order to expand the data collection. Especially in process-tracing, interviews with key players in the case will offer the researcher in-depth information of how an event unfolded (Tansey, 2007: 767). Interviews can also be used to confirm information retrieved from documents. This aspect of elite interviews supports the research objective of triangulation. Cross-checking information will lead to less bias in the interpretation. Considering this advantage of elite interviewing, the questions for the

interviews are composed after the initial document research. In order to derive a group of interviewees, purposive sampling on the basis of their position and reputation will be applied. This sampling technique allows the researcher to interview the most appropriate respondents. Through contacts at Eurostat, this sample will be discussed an initial contact will be made (see Annex 2). All in all, the process-tracing technique enables to collect and analyze data in such a manner, that it strengthens the theory testing.

This will be put into practice in the analysis. After collecting the data from both document research and expert interviews, the role of the two variables will be analyzed using process tracing. Discussing all the important aspects identified by both the literature and the experts, the underlying reasons for (non-)compliance will be discussed. First, at the European level to create an overview of how the regulation is made and enforced and secondly at the level of the member states. In chapter 6 all member states will be analyzed separately.

4.4 Data Collection

The process of data collection is an important part in this chapter. It is crucial to determine the unit of analysis and the operationalization of the dependent and independent variables. The unit of analysis is the HICP legislation in general. In other words, the core methodological aspects of the HICP will be the unit of analysis. These aspects will be discussed in the next chapter. For the independent variables, goodness-of-fit and administrative capacity, operationalization will depart slightly from previous research due to the focus on application and enforcement. When determining the goodness-of-fit, it will not be helpful to look into previous domestic legislation. In order to capture compliance with HICP regulation, it would be better to look at the domestic law in action. In order to determine the fit, the difference between the domestic law in action, CPI, and the requirements of the HICP will be studied.

Administrative capacity is the second independent variable in this research. Researchers have often studied administrative capacity using benchmarks by international organizations. However, a part of the biased findings on administrative capacity is that these benchmarks are too general. When trying to explain compliance with administrative capacity, we are interested in the capacity to correctly transpose, apply or enforce legislation. Due to the focus in this thesis, the administrative capacity for correctly applying EU regulations is the best unit of analysis. Since no such benchmark exists, this research will depend on available monitoring documents and interviews in order to determine whether a member state has sufficient administrative capacity. The dependent variable, compliance, is relatively

straightforward compared to the independent variables. A member state complies with the regulation when their application is in line with the legal requirements, but also soft law instruments such as recommendations and best practices.

Regarding the specific data collection, compliance as written in the most recent compliance monitoring report will be a starting point in order to determine a starting point. The monitoring reports on compliance discuss the various aspects of HICP regulation countries must comply with. Monitoring reports focusing specifically on the new framework regulation have not yet been released. However, the new framework regulation is an adjusted version of the previous regulation. Between the 'old' and 'new' regulation, there have been numerous regulations and recommendations have been made in order to keep the regulation on the HICP updated. These updates have been incorporated in the new framework regulation. For this reason, older monitoring reports can still be used for this research. An advantage of the use of documents is their availability. All documents are uploaded on the HICP section on the Eurostat website.

Besides the monitoring reports, the interviews with experts at both the European level and domestic level will provide additional information. The interviews will be held as the last stage of data collection in order to ensure that possible gaps will be filled before starting the analysis. Interviews will be held with Eurostat and member state officials working on the HICP. The interviews will be semi-structured. Based on the gaps from the documents, questions will be formulated (see annex 3). However, based on the answers the researcher has the freedom to ask further questions on the same topic. As said before, there is also room for the interviewee to bring certain matters to attention that he/she finds important. Summaries of the interviews will be added in annex 4. The language for the interviews will be English. The interviews with officials based in Luxembourg will take place on location. For the other interviews this is not feasible and those will be conducted by phone or e-mail with the possibility for follow-up questions.

4.5 Reliability and Validity

The reliability of this qualitative study concerns the dependability of the data. The availability of the data is also important for this concern. Both the dependability and availability of data depends on Eurostat and the specific NSIs. By clearly structuring the research and providing summaries of the interviews the reliability will be guaranteed (Haverland, 2007: 61). Hopefully, in such a manner that the same research will come to the same results.

The threat to validity in this research particularly concerns concept validity (Haverland, 2007: 61). Do the indicators measure compliance? Case studies tend to score better on concept validity as compared to quantitative approaches. The indicators and data sources are a start and can be adjusted when other indicators and/or data sources are found. Three preliminary interviews, during the summer of 2015 and 2016, were used to fine-tune the indicators and data sources. These exploratory interviews combined with in-depth expert interviews as a main data source, protect the concept validity. The internal validity, which demonstrates whether the independent variable caused the dependent variable, will be protected due to the method of process tracing (Haverland, 2007: 62). Due to limited resources, the choice for a small-N study limits the external validity of this research.

In sum, the research strategy is to research compliance at both European and domestic levels. The chosen research design is a small-N, cross-national comparative case study, using the qualitative method of process tracing. This research design gives a limited intended domain of generalization. However, this is also not the purpose of this thesis. Its purpose is to fill certain gaps in the literature on compliance so far and to improve the collective generalization of the field.

Chapter 5: Statistical Regulation in the European Union

The development and current state of affairs regarding compliance with statistical regulation and specifically the HICP will be the main focus of this chapter. A discussion on the historical development of statistics will highlight the importance and perseverance of international cooperation in this field. A large part of this chapter will deal with the statistical methodology of compiling the HICP, since that is the core of either compliance or non-compliance in member states. The chapter is structured as follows. The institutional development of statistics will set the stage for the development of HICP. After discussing the statistical methodology and the compliance monitoring, this chapter will conclude by looking forward to the development of HICP regulation in the near future.

5.1 Institutional Development of Statistics in the International and European Context

Statistical agencies have been measuring what happens in a state for a long time. In the 1740s professors of Cameralism, a predecessor of Public Administration, used the term statistics for all knowledge regarding the state (Forrester, 1990: p. 298). This is the so-called historical school of statistics, which describes general information about the state (Randeraad, 2011: 55). The mathematical school represents statistics as we use the concept today. From a general description in the historical school, to a numerical description in the mathematical school. In the first half of the 19th century, most European nations had developed statistical agencies of some sort (Randeraad, 2011: 53). The nature of their activities differed, but a common denominator was the purpose of their activities, namely measuring the economic and social capacity of the state. Between 1853 and 1876 several international statistical congresses were held in order to establish uniform statistical themes and methods (Randeraad, 2011). The accepted resolutions were not binding, with the result that implementation could not be enforced (Randeraad, 2011: 59). Moreover, growing nationalism did not aid international initiatives to harmonize statistics. Countries did not want to disclose information about their demographical development and economic power (Randeraad, 2011: 51). This information was seen as sensitive national data.

The idea behind the congresses was that they would evolve into *‘an efficient and authoritative supranational agent of statistical research’* (Randeraad, 2011: 58). The International Statistical Institute was established in 1885 and at a European level, the European Coal and Steel Community founded a statistics division in 1953. Five years later, in 1958, the forerunner of Eurostat was established while the name Eurostat was adopted a year

later in 1959 (Eurostat b, n.d.). Since then, the tasks and capacity of Eurostat have been expanded. The original staff of 58 in 1959 has grown to a staff comprising over 800 people (Sverdrup, 2006: 110, Eurostat c, n.d.). However, Eurostat is still relatively small compared to the NSIs (Sverdrup, 2006: 111). This is both the result from the division of labor between Eurostat and NSIs following the principle of subsidiarity. Eurostat does not collect data and depends on the NSIs for this. The extra workload for NSIs can lead to problematic cooperation if it is not accompanied with increased capacity (Sverdrup, 2006: 116). However, the expansion of tasks on part of Eurostat has also led to a limited increase in capacity (Sverdrup, 2006: 121). Besides resources, there are other aspects to their cooperation. The ESS, the institution in which Eurostat and the NSIs are active, plays an important part in fostering relations between member states through the organization of task forces and workshops.

As is clear from the previous section, European cooperation has advantages and disadvantages. This double-hatted nature is visible in the role of Eurostat. They act as a facilitator in developing statistical methodology and as a judge of compliance (Sverdrup, 2006: 117). An illustrative example is that of the convergence criteria from the Maastricht Treaty in which the EMU was established. Assisting member states on the road to compliance, but also strictly monitoring their output was part of the job. This was an important moment regarding the integration of statistical activities and of Eurostat authority on price indices. A large-scale political reform, establishment of a monetary union, put statistics to the forefront. As was mentioned in chapter 4, the HICP was an essential step on the road to the monetary union. This dual role is also mentioned in the interview conducted at the European level (Annex 4.1). The member state representatives and Eurostat officials all know each other quite well through contact within the ESS. The trust that is built through regular contact also gives officials the ability to be clear and outspoken when there are compliance problems.

5.2 Development of HICP Regulation

The HICP is a monthly consumer price index that aims to measure the price development of a basket of goods and services bought by consumers. The different elements of the basket, e.g. food, clothing, transport are all weighted according to their importance in terms of consumer expenditure. The index for each member state is made by the NSI using a harmonized methodology. The national indices are aggregated by Eurostat into EU and Euro area aggregated. The HICP plays an important role in the monetary policy of the ECB. The HICP

has been developed on the basis of the existing national CPIs and initially legislating the more broad and general concepts and slowly adding more detail.

March 2017 marked the 20 year anniversary of HICP (Eurostat a, 2017). Since the start of the HICP in 1997, it has been broadened and deepened. The first legislation was published on 23rd of October 1995. Regulation 2494/95/EC provided a first framework for the involved actors and entered into force in 1997. While at first the focus was on whether or not member states met the convergence criteria, this focus has now shifted to monitor the convergence criteria and more importantly, price stability within the Eurozone. Regulation 2016/792/EU is a replacement of the initial HICP legislation. It takes into account the changes of the last 20 years and offers a more accurate framework of the legislation. One can see in table 1 that in concessive rounds the initial framework legislation has been expanded. One of the additions in table 1 concerns HICP at constant taxes. Together with the HICP of administered prices, this is a variation on the ‘basic’ HICP. The HICP at constant taxes shows the impact of indirect taxes, such as VAT, on inflation (Eurostat d, n.d.). The HICP on administered prices shows the development of prices that are significantly influenced by the government. This is important for the analysis of the causes and development of inflation (Eurostat e, n.d.).

Table 1: Development of HICP legislation (Eurostat f, n.d.)

Legislation	Year
Framework regulation	1995
Initial implementing measures	1996
Sub-indices	1996
Weights	1997
Coverage of goods and services	1998
Geographic population coverage	1998
Treatment of tariffs	1998

Treatment of insurance	1999
Revised sub-indices	1999
Treatment of products in the health, education and social protection sectors	1999
Timing of entering purchaser prices	2000
Treatment of price reductions	2000
Treatment of service charges	2001
Minimum standards for revisions	2001
Common index reference period	2001
Temporal coverage of price collection	2006
Sampling	2007
Seasonal products	2009
Weights	2010
Common index reference period	2010
Owner-occupied housing	2013
HICP at constant taxes (HICP-CT)	2013
Common index reference period	2015
Framework regulation	2016

The figure on the next page shows the development of the HICP and the inflation rate since 1997. With the reference being 1997=100, it shows the price development within the Eurozone. The inflation rate pictured below shows the development of the inflation rate within the Eurozone. Besides the virtue of having a comparable price index, the main purpose of the HICP is to measure inflation. The most important stakeholders are the ECB and DG

ECFIN. The ECB also joins Eurostat on most compliance monitoring visits (Eurostat a, 2015, Annex 4). This is not surprising, since compliance with HICP regulation is important for the monetary policies of the ECB.

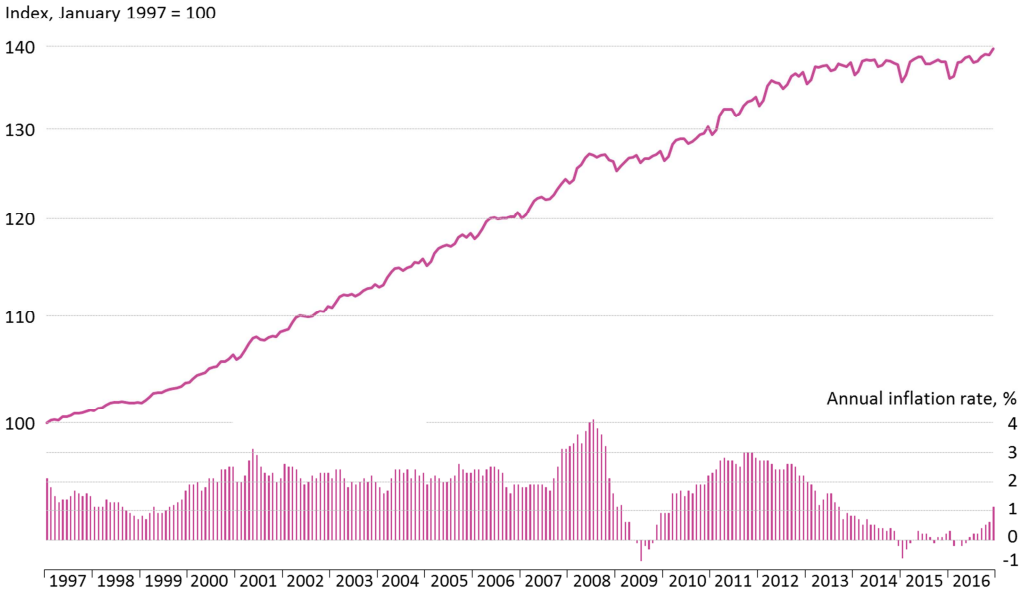


Figure 1: Development of inflation and HICP in the euro area 1997–2017 (Eurostat, 2017)

In the field of Consumer Price Indices other international organizations are active as well. The G20, OECD and the World Bank all have projects on consumer price indices (Eurostat g, n.d., World Bank, n.d., OECD, n.d.). The HICP is special in this regard as its harmonization is more advanced in comparison with the other initiatives. The statistical demands that stemmed from the monetary union pushed the EU to intensify their efforts, rather than joining the international projects. The next section will shortly discuss the decision-making process, and more extensively, the current methodology.

5.3 Current HICP Decision-Making and Methodology

As the EC, more specifically Eurostat, has the right to initiate legislation, does Eurostat take stock of the situations and wishes from the member states? The answer to this question had two sides. On the one hand is the need for statistical legislation derived from other policy areas of the EU. However, since the legislation must be passed with a QMV, enough member states must rally behind the proposal. Issues are mostly technical and decided upon early in the decision-making process. Whilst developing regulation, Eurostat tries to build on existing national data sources and methodologies used in CPIs, as it does not develop methodologies

by themselves (Eurostat b, 2015 and Annex 4.1). Two stages in the decision-making process are important for compliance after. First, due to extensive contact and discussion Eurostat is aware of what member states are doing and want in a field. This is the more informal stage where opinions are exchanged. Second, after drafting the legislation, member state representatives can speak their mind in the working groups. Here, the decision-making process is more formal and follows the Ordinary Legislative Procedure. If member states have any objections, this is mostly on the aspects where they expect to be non-compliant once the legislation enters into force (Annex 4.1). Next, we move to the substance of the decisions.

The coverage, computation, sampling, collection and treatment of prices are the most important aspects of the HICP methodology. The HICP is a 'pure' price index. Contrary to a price index that is a cost-of-living index, the HICP only measures changes in prices not in constant utility (Eurostat b, 2015). There are differences between member states, but all indices can be regarded as a Laspeyres-type index (Eurostat b, 2015). A common price reference period in which prices are measured and a common index reference period for which the index is set at 100 points allow Eurostat to compile comparable data from the different member states. The review requirement involves annually checking weights which are deemed to be most influential for reliability, relevance and comparability of the HICP. These are primarily the weights for components where market changes accompany atypical price movements (Eurostat b, 2015).

The coverage of the HICP is determined by the household final monetary consumption expenditure (HFMCE). This determines coverage, prices and weights within the HICP. HFMCE captures the monetary spending by households within the economic territory of the member state on goods and services that satisfy their needs or wants in a specified time period (Eurostat b, 2015). All items which are captured by HFMCE concept go into the 'HICP basket'. The coverage of the basket keeps expanding, because introducing new concepts keeps the HICP relevant. This can occur through recommendations Eurostat makes. An example is the recommendation on cross-border internet purchases (Eurostat b, 2016). Including this category is important due to its relative size in consumer spending. Almost six months later, the Dutch NSI reports that cross-border internet purchases have grown with 25% in the last year (NOS b, 2017). Internet purchases have taken up a larger share of consumer spending, and the HICP must be adapted in order to keep its relevance. Also goods and services that might be difficult to cover in the HICP are added. So far, health, education, social protection services, insurances and financial services are included. Undeterred by large

differences in the member states, comparability is ensured (Eurostat b, 2015). Another part of coverage is geographical and population coverage. All households must be included, regardless of their area or income (Eurostat b, 2015).

Price collection is a crucial part of the HICP. Price collections for goods and services should take place in the span of one week around the middle of the month. Prices of products that have irregular changes within a month, such as energy and fresh produce, should be collected over a period of more than a week (Eurostat b, 2015). There are various guidelines on how to treat price reductions, missed or rejected price observations and the inclusion of new goods and services. As stated above, the HICP aims to measure the price development of a basket of goods and services. The measurement should exclude changes in the quality of a product. If e.g. a car becomes more fuel efficient, that is a better car, this should be discounted for in the index by making a quality adjustment. The change in utility is hence also relevant for a reliable HICP. In such cases the procedure of quality adjustment is used to update the HICP. This process relies on the perceived quality change by officials in the member states which makes it a subjective choice. Despite legal standards, differences between ‘national’ HICPs can occur. According to Eurostat: *‘quality adjustment is one of the most, if not the most, intractable harmonization issues for the HICP’* (Eurostat b, 2015).

Revisions are another necessary part of the HICP methodology. Accurate data is the basis for an accurate inflation rate. Reasons for revisions can be mistakes, new information of changes in the procedures (Eurostat b, 2015). A table on revisions from 2010 - 2015 is published on the Eurostat website (Eurostat c, 2015). Revisions are common, but the extent of the revision is limited to 0,1 p.p. The discussion on methodology provided insights into what methodology the member states need to apply. The next section will focus on the enforcement of correct application by discussing compliance monitoring by Eurostat.

5.4 Compliance Monitoring

Eurostat has established a monitoring approach in order to check all aspects of compliance. The monitoring approach consist of three parts:

- 1) Documentation provided by NSIs
- 2) Analysis of data and methods
- 3) A dialogue with the member states in which all aspects are included (Eurostat a, 2015).

These three elements can be seen in the various stages of the compliance monitoring process. The first step is an analysis of an inventory of the sources and methods that a member state uses for the HICP. The inventories, being a new addition in the framework legislation, have been a practice in regard to statistics on national accounts (Annex 4.1). Member states have been transmitting inventories before they were supposed to by law. Only the requirement of sending them in has been put into law so far. Further specifications on the structure and level of detail will be added in order to ensure comparability. The HICP indices are analyzed by Eurostat as a second step. Issues that come up in the first two steps are compiled by Eurostat and send to the respective member state for clarification. During a compliance monitoring visit to a NSI these issues are discussed by a Eurostat representative and member state experts. Eurostat carries out 3 to 4 compliance monitoring visits a year, depending on staffing (Annex 4.1). When a member state does not comply with legislation, Eurostat writes down the requirement in the report. Eurostat also makes suggestions on matters where a member state does not comply with recommendations or best practices. This difference between legal obligations (requirements) and recommendations or best practices (suggestions) plays a large role in compliance monitoring. However, compliance with legal requirements has the priority (Annex 4.1). The reports made as an outcome of this process are published on the Eurostat website. These documents form the basis of the member state studies in the following chapter. The final step of the approach is a follow-up on the implementation of the proposed requirements and suggestions. This follow-up does not consist of any particular procedure (Annex 4.1). The officials that carry out the compliance monitoring visits should check the compliance with the mentioned requirements. The continuous contact between Eurostat and the member states offers possibilities to bring up various issues of the HICP.

The compliance monitoring process as mentioned above is how compliance monitoring is carried out. The difference between legal acts and recommendations or best practices is an important part of compliance monitoring. While compliance with legal acts has the priority, countries are also encouraged to implement recommendations (Annex 4.1). In the compliance reports there is a difference between requirements and suggestions. Another result from this divide is that member states can receive funding for improvements in the field of recommendations and best practices, but not for their efforts to improve compliance with legal acts. Another element which can be distinguished is the severity of non-compliance. Here it is important to keep in mind what the goal is of ensuring compliance on HICP data. This data need to be comparable and of high quality in order to be sure of correct inflation

rates. Slight non-compliance with legal obligations, that does not disturb the inflation rate, still needs to be corrected, but non-compliance is regarded less serious when it does not influence the final aggregates. However, non-compliance with legal obligations is a matter of black and white. If non-compliance with legal obligations persists the issue can and will be escalated to the appropriate judicial and political actors.

Non-compliance with the recommendations or best practices cannot be enforced. However, this ‘grey zone’ of soft law instruments is important. Where the regulations, much like the bones in our body, provide a clear structure, it is the recommendations and best practices that flesh out these regulations and makes the whole a functioning and vibrant policy area. The inclusion of the inventories into the new framework regulation is an example of how a best practice can become part of the legal skeleton. The governance structure in the field of statistics in general aids the compliance with the soft instruments. Besides the formal procedures, the informal contacts, workshops and task forces where member states come together play a large role in the harmonization of statistics. Seeing what other countries are doing in similar conditions and sharing experiences promotes trust among the participants. Especially for countries that do not have a mature statistical system, seeing what the more advanced countries are doing helps them to comply and develop.

From the perspective of Eurostat, the main reason why member states do not comply is a lack of resources, especially in the case of the less advanced NSIs. As mentioned before, member states can only use a grant for improvements on top of their legal obligations. The resources to comply with the regulations must come from the domestic level. These resources are not just extra funding, but also recruiting appropriate staff, create systems and data sources. As said in the interview, a NSI cannot simply buy staff and solve its problems (Annex 4.1). Extra money can be used to contract out certain elements of the process, but it does not solve the structural issue within the NSI. Skilled staff must be accompanied by sufficient material resources and data sources. A secondary reason for non-compliance involves the interpretation of legal texts into technical application. Once this interpretation issue is solved, member states comply fast. The results from compliance monitoring offer insights into further steps for harmonization efforts. However, also the continued expansion of HICP regulation in general shows what needs to be done on the road ahead.

5.5 Looking Forward

Progress has been made in the field of the HICP. Since markets and technologies keep changing, so must the HICP. As was mentioned in the previous section, quality adjustment is one of the tricky aspects of the HICP. Thus, further development of the HICP has a high place on the agenda for further harmonization (Eurostat b, 2015). Work also continues on price samplings, weights and the treatment of seasonal items. An item that needs to be added to the ‘HICP basket’ is owner-occupied housing. This inclusion will mean a major change in the HICP (Annex 4.1). A last point of improvement is the follow-up after the assessment of compliance within a member state (Eurostat b, 2015). Summarizing, this chapter has shown how statistical legislation in general and the HICP has developed, how the decision-making process works, with what issues the legislation deals and how the field is likely to develop in the near future. This chapter has set the stage to dive deeper into the issue of compliance in member states. Knowing what member states have to comply with, we can continue to how and to what extent they comply with legislation, recommendations and best practices.

Chapter 6: Compliance with HICP in Member States

After looking at the HICP legislation and compliance monitoring at the European level, the time has come to discuss compliance with HICP methodology in the member states. Before 1997, the national Consumer Price Indices (CPI) differed on numerous points. Earlier attempts at harmonizing national CPIs never took off due to domestic users (De Michelis and Chantraine, 2003: 140). Most CPIs were and are used in wage negotiations by trade unions and employer associations. After long negotiations, the HICP regulation was adopted. Some member states even took the HICP as their CPI as well (De Michelis and Chantraine, 2003: 143). In general, the transition to the HICP went smoothly, in part because most national CPIs continue to exist for domestic users. This chapter will continue by examining compliance with HICP methodology in the following member states: Luxembourg, Sweden, Austria, Ireland and Poland.

6.1 Luxembourg

STATEC, short for the National Institute of Statistics and Economic Studies, is located on a five minute bike ride from Eurostat. The organization is relatively small, with 200 employees for all statistical work (Annex 4.2). Non-compliance with HICP legislation by STATEC is limited to a few recommendations and does not have a major impact on the HICP outcomes in general (Eurostat, 2012: 2). No ‘red lights’ were detected during the last compliance monitoring visit in July 2011. Eurostat suggested further action on defining consumer profiles for telecommunications, stratifying the sample for the rental market, increasing the number of price observations for rents, exploring the significance of last minute bookings for holidays and investigating the significance of online subscriptions to magazines (Eurostat, 2012). The five recommendations dealt with issues of general price collection, putting fuels on the list of the HICP for administered prices, following of guidelines on insurances, the difference between list prices and actual transaction prices of cars and price developments for repair services. A follow-up by Eurostat never took place, but almost all points were followed-up by STATEC regardless.

LUXEMBOURG

Official name: Grand Duchy of Luxembourg

Population as EU-28%: 0,1%

GDP: €54 billion

Membership EU: 1958 (founding member)

Name of NSI: National Institute of Statistics and Economic Studies

Number of employees: 200

Establishment NSI: 1962

First CPI production: 1920s

First HICP production: 1997

In a peer review on their compliance with the code of practice and the coordination of STATEC, the major concern was their lack of resources (Alldritt et al, 2015). Being a small organization sometimes requires creative thinking, and searching for informal and pragmatic solutions (Alldritt et al, 2015: 3). In Luxembourg there are few cases in which European national statistical demands cause friction. In general, compliance with European statistics is met from synchronized national requirements. In the case of the HICP, this is no different. The first article of the Grand-Ducal regulation of December 20th 1999 concerning the establishment of the CPI, shows how this unfolds in law: *‘En complément à l’indice des prix à la consommation harmonisé (IPCH), le STATEC établit un indice des prix à la consommation national (IPCN), qui se conforme aux mêmes principes et concepts méthodologiques. Toutefois, la couverture géographique de l’IPCN se limite à la seule population résidante; elle exclut la consommation des non-résidents.’* This says that the Luxembourgish CPI will follow the definitions and methodology of the HICP. The only difference is the exclusion of consumption by non-residents in the CPI. Because the prices for fuel and tobacco are relatively low in Luxembourg, many people from neighboring regions of France, Belgium and Germany buy such products in Luxembourg. Given the relatively small Luxembourgish population, including this consumption into the national CPI will not correctly show the inflation of Luxembourg for domestic users (Annex 4.2). The decision to link the CPI and HICP was a pragmatic choice for STATEC. First, European regulation is a result of shared knowledge. Building such knowledge in-house would be too costly for a smaller organization. Luxembourg can benefit indirectly from the resources of more developed NSIs. Second, the European pressure to comply is needed, since national pressures would be too low. Third, by following the European legislation there is no extra burden for STATEC to comply. Fourth, following European legislation unburdens national decision-makers. Fifth, the indisputable need for compliance with legislation is a good source for justification. In case of justification for the choices concerning the HICP and the CPI, STATEC can point to Eurostat. All in all, relying on European legislation the improvements will be of sufficient quality and the pressures to comply are in place. However, the end result of negotiations on legislation or recommendations does not always lead to the ‘best practice’.

Through the informal stage of decision-making such as task forces, member states have the opportunity to voice their opinions. Eurostat sees the practices of all member states and encourage member states to follow the best practices in the field. Luxembourg takes an active part in such task forces, for example on the treatment of internet purchases. It is

assumed that online purchases play a large role in the consumption in Luxembourg due to its population and location (Eurostat, 2012: 3). However, for a small country as Luxembourg their weight in the HICP is small (Eurostat, 2012: 2).

Influence is possible through building coalitions and using good arguments. In general, there is a bias towards changing as little as possible. In the recommendation on seasonal products this is visible. The bad practices were banned but two methods remained allowed. A majority of the countries reached a consensus on keeping two methodologies as acceptable, although from a technical point of view this is not ideal. STATEC had to change their practices in this case. This example shows that there is a bias towards the practices of larger countries. The national response of member states is generally to change as little as possible and to keep the response burden for involved actors low (Annex 4.2).

It is a concern of STATEC whether its resources will be sufficient to keep up with the growing volume of EU legislation on statistics (Alldritt et al, 2015: 4). In the field of HICP, similar problems are at the heart of (possible) non-compliance (Annex 4.2). Political reasons are rarely the reason for non-compliance within the HICP. Due to a lack of resources influence from national actors is limited. Especially for users of the CPI, it is difficult to influence the process since preliminary negotiations are often in the informal task forces. Regarding compliance with recommendations and best practices many methodological improvements can be made (Annex 4.2). A NSI, if provided with enough time, resources and expertise, can continue to improve its methodology. However, the limited resources force officials to prioritize issues. A lack of good data sources and a weaker NSS are also two reasons that could result in non-compliance. A form of assistance for STATEC could be the grants that Eurostat offers to member states to improve their HICP. STATEC does apply for the grants, but the money received from EC goes to national government (Annex 4.2). Indirectly, they can retrieve some of the funds. Generally, the grants do not provide any support in the case of Luxembourg. Sharing knowledge is a better instrument to help member states comply.

Concluding, Luxembourg compliance with the HICP is good. Since the legal obligations are followed for their national CPI, non-compliance with legal standards can only be of temporary nature. Their national CPI benefits from sharing of knowledge among member states. Regarding compliance with recommendations and best practices is a different story.

Due to its limited resources, priorities have to be set. We now continue to Sweden, a different member state with a different outlook on HICP compliance.

6.2 Sweden

After discussing STATEC with about 200 employees, Statistics Sweden is of another scale with around 1400 employees in its service (Statistics Sweden, n.d.). The NSS in Sweden is relatively decentralized, but the CPI and HICP production is done by Statistics Sweden themselves (O’Hanlon et al, 2015: 9). It is the ambition of Statistics Sweden to be a world class leader in providing statistical information for its customers (O’Hanlon et al, 2015: 9). As a result, Statistics Sweden invests a substantial amount of resources into developing best practices to such an extent that Statistics Sweden is seen as one of the most advanced NSIs in the world (O’Hanlon et al, 2015: 3).

The latest compliance monitoring report was published in August 2013 after a compliance monitoring visit in December 2011. A few methodological issues needed improvement or required further analysis. However, the non-compliance did not pose a threat to the Swedish HICP and the comparability to other member states. Regarding the recommendation on seasonal items Statistics Sweden had to resolve the methodological issues raised on the price development and availability of seeds and flowers. The other eight recommendations dealt with index calculation for telecommunications and computers, treatment of insurances and reduced prices, representativeness of a product sample, extending coverage, exclusion of financial intermediation services, investigating methods for rentals and services related to housing and Statistics Sweden would consider the contribution to the HICP Administered Prices (Eurostat, 2013: 4). There is no record of a follow-up by Eurostat (Annex 4.3). The report was published one and a half year after the visit.

Instances of non-compliance were largely the result of resources and prioritization (Annex 4.3). Statistics Sweden had not prioritized these issues and had allocated its resources to issues they consider more important. It is seen as beneficial that Eurostat pointed these things out, since Statistics Sweden had not noticed them. However, the recommendations and

SWEDEN

Official name: Kingdom of Sweden

Population as EU-28%: 1,9%

GDP: €462 billion

Membership EU: 1995 (not in Eurozone)

Name of NSI: Statistics Sweden

Number of employees: 1400

Establishment NSI: 1858

First CPI production: 1830

First HICP production: 1995

best practices are not necessarily the best practice according to the Swedes. They are often a result from a compromise between member states (Annex 4.3). On the other hand, the work that is done in the task forces related to methodological discussion is beneficial and Statistics Sweden is involved in this work. Next to the recommendations and best practices it is important to take national specifics into account, especially in the case of the Swedish housing market.

Statistics Sweden has a strategy in order to influence the European legislative process. It is a priority for them to be a respected partner within the ESS (Annex 4.3). In the legislative process of the new framework regulation, Regulation 2016/792/EU, it was difficult to exert influence. The whole process took about two years and was not transparent. The points Statistics Sweden made were not included in the final text and the resulting regulation had some issues which Statistics Sweden does not fully agree with. For example, the framework regulation includes a demand on notifying Eurostat 12 months in advance about a methodology change. This line was set at 3 months, but even this did not allow Statistics Sweden to make quick changes in their HICP to the changing market. This time period can also demotivate people who are working on methodology, because they have to wait before they can implement their ideas. The vague legal texts are also not always suited for direct application. This is considered to be a major issue for the quality of statistics, as it could lead to incomparability between national HICPs. For some requirements it is sometimes not clear how the data can be used, for example with regard to administered prices (Annex 4.3). In some cases, there is also pressure to supply certain data, the administered prices for example, even though there is no legal obligation for it. These examples show that regulation creates a burden for Statistics Sweden.

In a hypothetical case of non-compliance, this would be the result of the large difference between the CPI and the HICP (Annex 4.3). The two price indices differ on a number of issues. The main difference is the purpose of the index. Whereas the HICP is a cost-of-goods index, the national CPI of Sweden is considered a cost-of-living index. This difference in interpretation affects its users and also complicates communication. A further difference is the coverage of goods and services. For example, the Swedish CPI includes owner-occupied housing, which is left out of the HICP.

The burden of the annual production of the HICP next to the CPI is estimated at €50.000. In addition to this, an extra €25.000 is spent on methodological development each

year. However, these numbers do not include that the CPI sometimes also benefits from the HICP (Annex 4.3). This burden is not alleviated by grants from Eurostat. Statistics Sweden does receive grants for methodological development. The extra work for the HICP also does not translate to extra funds from the government. However, the amount of extra work, to keep national users content with the national CPI and comply with European legislation, is quite large. Summarizing, European cooperation is considered beneficial, but also creates a substantial burden. The next member state in this selection is Austria. How are they dealing with the HICP demands?

6.3 Austria

The NSS in Austria is highly centralized (Rockmann et al, 2015: 9). The NSI, Statistics Austria, is responsible for the large majority of statistics. The capacity is 754 average person’s years, and 34% of the staff holds a master or PhD degree (Rockmann et al, 2015: 9). A general concern for Statistics Austria is their resources. Since 2000 their budget has not increased, leading to staff reductions and restructuring (Rockmann et al, 2015: 3). For the HICP limited resources were not mentioned as one of the issues (Annex 4.4). Influencing the legislation depends on the work in the task forces and the coalitions that are built, in which also Statistics Austria plays a role. When the larger countries have formed a coalition, options for smaller member states are limited. However, good arguments also play a role in the task forces. Combining good arguments and forming coalitions can lead to influence on the legislation (Annex 4.4). There has been no recent compliance monitoring report in the case of Austria. The latest visit was in 2012/2013, but Eurostat never wrote a report (Annex 4.4). Since such reports are important for the quality management, Statistics Austria took note of certain elements informally and made the required changes. A new visit is scheduled for September 2017, and Statistics Austria will make sure they receive a report.

AUSTRIA

- Official name: Republic of Austria
- Population as EU-28%: 1,7%
- GDP: €349 billion
- Membership EU: 1995
- Name of NSI: Statistics Austria
- Number of employees: 754 average person’s years
- Establishment NSI: 1829
- First CPI production: 1912
- First HICP production: 1995

An issue for Statistics Austria regarding compliance with best practices and recommendations is the availability of scanner data (Annex 4.4). Scanner data shows the price,

quantity, specifics and location of the sale (Silver and Heravi, 2001: 384). They applied for grants to develop web scraping and scanner data. The ministry that is responsible for allowing access to this data is influenced by the Chamber of Commerce, who are not advocating sharing this data. A conference on this topic is scheduled this summer in order to receive this data and use it in the production of the CPI and HICP. In article 5.4 in the framework regulation it is written that where available such data must be used to produce the indices. In the case of Austria, national legislation must be in place for this data to be made available.

Apart for this issue, no other reason for (potential) non-compliance can be given (Annex 4.4). Despite differences between the CPI and HICP, which involves additional products in the 'national' basket and excluding consumption by non-residents (like Luxembourg), this difference does not pose any threats to non-compliance. The burden that comes from producing two indices mostly lies in the communication of the data to the media and public. If Statistics Austria would only have to produce one index, this would be easier.

Summarizing, the issues in Austria show similarities and differences with the cases of Luxembourg and Sweden. As a smaller member state, the limited influence is a fact of life. However, limited resources are not a problem in Austria. National issues have not been named so far. The next case is Poland, both the largest and newest member state in this selection.

6.4 Poland

The Polish NSI, CSO Poland, is a large and decentralized organization and employs a staff of 6.400 people (Snorrason et al, 2015: 3). It has one central office in Warsaw and several regional offices that are tasked with specific statistical areas. Together, the central and regional offices produce the majority of statistics for Poland. The regional office in Opole is, among other things, tasked with price statistics (CSO Poland, n.d.). The regional price collection is monitored by the specific office in that region (Eurostat c, 2016). After an initial check, the data is sent to the office in Opole. Approved files are then sent to the Trade and Services Department at the central office for analysis. This department is also tasked with the contacts to Eurostat.

As seen in the small infographic, Poland started to produce the HICP in 1997. Their relatively new membership did not result in later application of HICP regulation as compared to the other member states. They applied the existing legislation and deadlines immediately (Annex 4.5). The main differences between the CPI and HICP mentioned in the interview are the method of calculation, scope and source of weights (Annex 4.5). A difference between the national CPI and the HICP which we have seen already is the exclusion of consumption by non-residents (Eurostat b, 2017). Another group that is excluded is the group of persons who live in institutions, whereas the consumption of games of chance (lotteries etc.) is included in the CPI, but excluded from the HICP. Whether this leads to difficulties is hard to say (Annex 4.5). The CPI needs to be refined on some areas, but overall the production of the indices follows the same process. As a result, the production of the HICP does not create a great burden to CSO Poland. However, in the case of a major change in methodology there are substantial extra costs. When such a major change occurs, this is often co-financed by the EU through grants.

During this recent compliance monitoring visit several issues regarding non-compliance were detected (Eurostat c, 2016). Some of these issues were pointed out by CSO

POLAND

Official name: Republic of Ireland

Population as EU-28%:
7,4%

GDP: €424 billion

Membership EU: 2004

Name of NSI: Central
Statistical Office of Poland

Number of employees:
6400

Establishment NSI: 1995

First CPI production: no
record, available data goes
back to 1950s

First HICP production:
1997

Poland (Annex 4.5). On one issue, they were not compliant with the regulation. CSO Poland compiles indices on a sub-class of public health insurance which it should not have done because the costs of this insurance are not borne by households and thus do not fall under the coverage of the HICP which only covers monetary expenditure by households and these costs are paid directly by government or are reimbursed to households (Eurostat c, 2016: 3). The other issues that are mentioned in the compliance report discuss non-compliance with recommendations and best practices. On the issues of sampling and representability there were two recommendations on the treatment of telecommunications and dwelling insurance (Eurostat c, 2016: 4). The weighting of prices collected from outlets and internet as true market shares should also be investigated according to Eurostat. Another recommendation dealt with the list and internet prices and the actual transaction prices of used cars. Prices for airfares are collected on the same day each month. The assumption that these prices are stable during a month should be checked regularly (Eurostat c, 2016: 5). Methodology on quality adjustments, seasonal products, and the aggregates on administered prices and at constant tax rates were all in line with legal obligations, recommendations and/or best practices. During this visit, there was also a follow-up of the previous visit. One of the recommendations at the time dealt with the rounding of data during the compilation process. It is recommended that the rounding of figures only takes place at the end of the process. This recommendation was not implemented yet. Some aspects of this non-compliance are not fully understood by CSO Poland. After the modernization of their IT system the rounding of data will improve (Annex 4.5).

The underlying reason for non-compliance is attributed to several factors (Annex 4.5). A lack of good data sources or lack of resources in personnel, time and IT are the reason for non-compliance on most issues. Vague guidelines were also named as a reason for non-compliance. Some of the recommendations were still quite new and it takes time to adapt, find solutions and eventually comply with them. Influence on legislation was considered limited. (Annex 4.5) The legislative process was difficult to influence. However, when consulted, CSO Poland presented their opinions. After the consultation with the member states, several modifications were made due to compromises at the level of the Parliament and Council. Concluding the case of Poland, the major issue regarding non-compliance is related to resources. The difference between the HICP and the CPI is of minor importance in this regard. The final member state in this chapter is Ireland. A medium-sized member state and part of the Anglo-Saxon political-administrative tradition.

6.5 Ireland

The NSI of Ireland, CSO Ireland, is located in Dublin and Cork. In January 2015 697 people were employed by the organization (Potisepp et al, 2015: 10). CSO Ireland produces 90% of the statistics in Ireland, including price statistics. The Irish CPI and the HICP are quite similar. The main differences are the inclusion of owner-occupied housing in the CPI and a different approach to the calculation of weights for insurance (Annex 4.6). However, these differences have not led to difficulties concerning compliance in the past. The production of the HICP does create an extra burden for CSO Ireland. This burden is partly welcome, since the development of the Irish CPI also benefits from the HICP legislation. The increased contact with Eurostat and other European NSIs creates methodological assistance for a small member state like Ireland. In the task forces and workshops organized by Eurostat problems and solutions are discussed. These meetings often lead to study visits between NSIs to see what the other member states are doing.

Another reason to pay attention to these meetings is the development of legislation by Eurostat. They often have clear ideas on how the legislation should look due to data requirements from other policy fields within the EC. This had led to legislation being pushed through despite practical difficulties in member states (Annex 4.6). For a NSI it is important to monitor these developments and ‘catch the train’. Joining pilot studies, observing them closely and regular contact with Eurostat officials keeps NSI in the loop on current developments. This need for interaction stems from the intention to comply with the HICP legislation.

The most recent compliance monitoring report was published in March 2010 following a visit early 2009. The most recent visit was in May 2017, but there is no report from this visit yet. In 2009, there were no instances of non-compliance with legal obligations

IRELAND

Official name: Republic of Ireland

Population as EU-28%: 0,9%

GDP: €265 billion

Membership EU: 1973

Name of NSI: Central Statistics Office of Ireland

Number of employees: 697

Establishment NSI: 1949

First CPI production: 1922

First HICP production: 1996

and the HICP was comparable (Eurostat, 2010: 2). Seven recommendations were given on several issues regarding coverage, sample design, replacements, quality adjustment, calculation of weights, the difference between list and actual prices for cars and price collection. During the visit in May 2017 some areas of non-compliance were discussed. The reasons for non-compliance vary, but resources are the main source of potential non-compliance. Until recently, one statistician worked on CPI and HICP. This has been doubled in order to cope with the increasing workload (Annex 4.6). In order to ensure long term compliance CSO Ireland has planned development work for the years to come (Annex 4.6). One of the statisticians will exclusively work on these issues.

Since the work in the field of CPI and HICP moves fast and the amount of legislation to comply with is extensive, a NSI can easily fall behind. Prioritizing issues where there is non-compliance and allocating resources to these issues allows the NSI to comply efficiently. CSO Ireland does not make use of grants, since applying for these grants is a lot of work and the money goes to the central government instead of the NSI. Besides a lack of resources, the national characteristics can also cause difficulties regarding compliance. Not all EU legislation is suitable for all member states. In cases where legislation matches poorly with the national situation, CSO Ireland advocates that the legislation should not be strictly applied (Annex 4.6). Especially if an issue does not have a direct effect on the quality, this would be a reason not to apply a certain part of legislation. When CSO Ireland and Eurostat do not agree on whether or not they are compliant on a specific issue, a compromise is reached that is acceptable to both parties. After reviewing the compliance issues in Luxembourg, Sweden, Austria, Poland and Ireland it is time to go back to the hypotheses formulated in chapter 3. To what extent can the goodness-of-fit and the administrative capacity arguments shed light on the issues of compliance with statistical legislation in the European Union?

Chapter 7: Analysis

In the two previous chapters compliance with statistical regulation was discussed on two levels: the European and national one. While at the European level the legislation is drafted based on the statistical needs from other EC policy areas, the national level needs to apply the legislation. What member states have to comply with, the HICP methodology, was discussed in chapter 5. How the selected member states comply with HICP methodology was discussed in the previous chapter. These two chapters have given an insight into the case. These insights will be used here to analyze the case using process-tracing regarding the two hypotheses on goodness-of-fit and administrative capacity. What is the process of compliance, and what is the role of these variables? After a discussion on the role these variables play at the EU level, a more extensive discussion will follow on the two variables at the member state level.

7.1 Goodness-Of-Fit and Administrative Capacity at EU Level

Although compliance is considered to be a top-down process, both the drafting of legislation and the enforcement have their place at the European level. After reaching comparability, which is ensured by compliance with legal standards, the work at the European level does not stop. The monitoring of compliance with recommendations and best practices form a foundation for the drafting of new legislation. This brings the process to a full circle. To what extent does Eurostat take the issues related to the goodness-of-fit and administrative capacity into consideration in this process? After a discussion on the drafting of policy, this part will continue with the enforcement at the European level.

While gathering input for statistical legislation, the most important issues are the needs that stem from other policy areas. Statistical demands from the EMU are the driving force behind the HICP. The monetary union, and the accompanying harmonization of statistics, makes the EU a frontrunner on harmonization of price indices. If the EMU was not created, the HICP would not have been at the stage where it is today. As mentioned in chapter 4, alternative explanations might lead to similar patterns to those found in EU-level factors (Haverland, 2007: 69). In the case discussed here, this does not seem likely. The statistical demands from the EMU go beyond demands set by other international organizations. Especially the need to comply with the legislation, is more pronounced due to the importance of the HICP for the ECB.

Apart from the statistical needs from the monetary policy area, the current practices in the member states are also important for two reasons. First, due to the division of labor between Eurostat and the NSIs, Eurostat does not develop methodology on their own. They are a facilitator and gather best practices from the member states. Second, it is important that enough member states support the legislation. At least a qualified majority must stand behind the proposal. However, these reasons are of secondary concern in deciding on what the legislation must look like. Within the boundaries of the statistical information needed, there are no limits in deciding on the right methodology to reach the desired goal. When member states have objections during the decision-making process, this is often on issues where they expect compliance to be difficult. These preferences are related to methodology fit of the status quo in the member state and the new legislation. Reasons behind those preferences can include issues within the NSI, but can also be connected to the NSS or data sources. So, in order to get a qualified majority, Eurostat must take this fit of member states into account. Proposing legislation that does not get a qualified majority is of little use to the process of harmonization. In the end, HICP legislation is partially based on what is done in the member states. Given that some member states have different shares in a qualified majority, some member states influence the European decision-making process more than others. This imbalance leads to an increased importance of the status quo in the larger member states who have more voting power. Despite these issues, the most important aspect remains comparability. Safeguarding comparability and monitoring compliance with recommendations and best practices form an important part of the European influence on compliance.

In order to ensure the comparability of the data, Eurostat monitors compliance in the member states. During the first stage of compliance monitoring Eurostat is dependent on the NSIs for supplying them with correct information on the national practice. During this stage, the process is vulnerable to biased information. Getting 'boots on the ground' in the next phase makes the compliance monitoring more reliable. This is also why the ECB regularly joins Eurostat on these visits, they want to keep an eye on compliance themselves. As mentioned in chapter 5, they carry out 3 to 4 compliance monitoring visits, depending on staffing. The reports on these visits are published by Eurostat. In the member states selected here, this was often over a year after the visit. In the case of Austria, even no report has been written. Whether more frequent visits and reports would enhance compliance is difficult to say. The preparation of the visits, the visits themselves and the writing of reports takes time.

As Eurostat has had a limited increase in its capacity, alongside the expansion of tasks, administrative capacity seem to play a role at the European level.

If member states are not compliant with legal obligations, they should make the necessary changes as soon as possible. An important distinction has to be made between non-compliance that influences the comparability of the HICP and non-compliance that does not influence this comparability. Although compliance is a matter of black and white, the issue of comparability is the ‘core’ issue of the legislation. Despite of this difference in ‘severity’, issues that do not lead to comparability problems must be corrected regardless.

The main reason according to Eurostat for non-compliance in member states has to do with resources. This is especially the case for less advanced NSIs. Extra resources in order to comply with legal obligations are not given. Resources to comply with the regulations must come from the government of the respective member state. IT-systems and data sources are also a part of the administrative capacity of a NSI. The ECB must be sure that the HICP is comparable, but the policy activity goes beyond mere comparability. The work within the ESS is also focused on developing methodology and best practices beyond legal requirements. Financial assistance in the form of grants are only available for member states who go beyond the legal obligations.

Gathering information on what member states are doing and their national practices is done within the ESS. This network is of great importance in regard to recommendations, best practices and sharing experiences. These experiences are used to develop legislation in areas where comparability is called for. The inclusion of inventories in the new framework legislation is a good example of how this process works. Here, compliance and development is encouraged through the availability of funds and thus, increasing the administrative capacity. This grey-zone of compliance, going beyond comparability, is important not only for the development of best practices but also for being prepared for the legislation to come. Eurostat sees that the ESS network is especially helpful for less mature NSIs as they depend on the development work from more advanced NSIs and on Eurostat to facilitate the contacts within the ESS.

Summarizing, both goodness-of-fit and administrative capacity play a role at the European level. However, from a European perspective goodness-of-fit and administrative capacity do not have a major influence on drafting with legislation. Whilst drafting legislation, the situation and best practices in member states are taken into account but these do not form

the foundation of legislation. With regard to administrative capacity, Eurostat can only give grants when countries go beyond the legal requirements. As a result, these funds do not help the member state to comply on the short term. Compliance on the long term, by using the grants to develop the statistical methods, could be encouraged. From a European perspective, administrative capacity is the main reason for non-compliance in the member states and also plays a role concerning the monitoring of compliance. After a discussion on the role of the fit between domestic practice and European legislation in the next part, the administrative capacity in the member states will be analyzed.

7.2 Goodness-Of-Fit at the Member State Level as a Reason for Compliance

The previous section has discussed the influence of fit and administrative capacity at the European level. This section will discuss the role of the fit between the European legislation and the practice in the member states in the process of compliance. If the assumption of Börzel and Risse (2000: 5), that a policy misfit equals compliance problems is true, the goodness-of-fit argument will play a big role in this case. First, the differences between the different CPIs and HICP will be examined. Does a large difference between the two indices lead to issues of compliance? And second, given the influence of member states as discussed in the previous section, do member states use their influence to limit the adaption pressures?

The initial fit of European legislation and national practice concerns the difference between the national CPI and the HICP. All member states have variations between their national CPIs and HICP. This ranges from the exclusion of single category in the case of Luxembourg to an entire different interpretation in the case of Sweden. The CPI of the other three member states, Poland, Ireland and Austria, have some differences with the HICP but nothing so minor or major as in the other two member states.

The difference between the CPI and HICP in Luxembourg is small as the only difference is the exclusion of consumption by non-residents. This exclusion is also made by Austria and Poland. Besides this exclusion, the Austrian CPI has around 10 to 15 items extra in its CPI due to traditional reasons. The main difference between the Polish CPI and the HICP, besides the exclusion of spending by non-residents, has to do with the method of calculation, scope and source of weights and the exclusion or inclusion of other groups. However, overall the procedures for the Polish CPI and HICP are similar. In Ireland the HICP and the CPI are also quite similar. The main difference is the inclusion of owner-occupied housing and the calculation of weights for insurance. The inclusion of owner-occupied

housing in the CPI is also done by Sweden. Next to that, the Swedish CPI also shows other differences with the HICP. The two indices differ on a number of issues as a result from their different interpretation. The Swedish CPI is regarded as a cost-of-living index, instead of a cost-of-goods index as the HICP. Extensive differences are to be expected due to this reason. Due to the difference in interpretation, it is difficult to keep national users content and reduce the misfit. What is the effect of this difference on compliance?

In light of the hypothesis on goodness-of-fit, it would be expected that Sweden, the member state with the largest misfit, has more difficulty complying. In a case of non-compliance for Statistics Sweden, the differences between the CPI and the HICP is named as the most likely cause. Although some aspects of the CPI and HICP are the same, the relative large difference does pose a threat to compliance. For Statistics Austria and CSO Ireland, the slight differences between the CPI and HICP do not lead to any difficulties. The almost exact fit between the CPI of Luxembourg and the HICP does not affect compliance. Whether the differences between the CPI and HICP in Poland leads to difficulties is hard to say. Their own CPI needs some refinement. This shows that apart from the point of view that the CPI influences HICP compliance, there is also another direction which this process may take. To what extent does the HICP influence the CPI?

Since non-compliance with the HICP can also lead to changes in the CPI, due to using the same methodology for both indices, it is an important aspect here. Especially because the influence of HICP stretches beyond its incentive to create comparable data, as seen in the importance of recommendations and best practices. In the case of Luxembourg their national CPI benefits from the distribution of shared knowledge within the ESS and the pressure to comply with the HICP. Since their two consumer price indices use the same methodology, a step forward on the HICP means taking a step forward in their CPI as well. The view that the CPI benefits from the HICP is also shared by CSO Ireland, CSO Poland and Statistics Sweden. Despite the large differences between the Swedish CPI and HICP, the CPI does also benefit from the development of methodology on a European scale. It is safe to say that the burden that comes from producing the HICP is partly welcome as it benefits the national CPI. However, to what extent do member states use their influence in the decision-making process of the HICP? From the hypothesis on goodness-of-fit, it is to be expected that in order to keep adaption pressures low, they want to change as least as possible.

Although ideas for legislation stem from the monetary policy area, the current practices in member states is also something Eurostat takes into account. Overall, none of the member states were satisfied with their influence in the process. Especially for smaller member states, their influence can be limited due to their relatively smaller shares in a qualified majority. Their influence depends on the quality of their arguments and the coalitions they build with other member states. However, the end result is often that the proposed legislation depends on the status quo in the larger countries. Or put differently, the fit between the practice in larger countries with the European legislation. As mentioned in the interview at STATEC, there is a bias towards changing as least as possible. Although Austria is not particularly a small member state, but more medium-sized, they also notice this difficulty in influencing HICP legislation. In the case of Sweden, also not a particularly small member state, the same effect is noticed. The points mentioned by Statistics Sweden were not included in the final regulation. Although it is considered important to be a respected and involved member in the ESS, it was difficult to influence legislation. Apart from the dominance of large member states, the decision-making process took around two years and was not transparent. This is also a point CSO Poland makes. After consultation with all the member states, to which also CSO Poland contributed, the proposal was modified due to a compromise at the level of the Parliament and Council.

Besides the issue of the importance of the status quo in the larger member states, it is important to consider national specifics when applying and enforcing legislation. Since the development of the HICP depends on the needs from the monetary policy area, the fit for member states is not always ideal. As mentioned by CSO Ireland, in the past legislation has been pushed through despite practical difficulties in member states. A bad fit between the European legislation and domestic practice can lead to issues on compliance. For example, the housing market in Sweden shows some special features which makes it difficult to comply with certain issues. In cases where the comparability of the data is not in danger, CSO Ireland might suggest not applying the regulation too strictly in a specific case. As this example shows, the distinction between non-compliance that does, or does not, influence the comparability is important to keep in mind.

All in all, there is evidence for the hypothesis on the goodness-of-fit as an important issue. Although of secondary concern for Eurostat, the issue is important for member states. The good fit between the CPI and HICP in Luxembourg, Austria and Ireland does not lead to roadblocks on the path to compliance. Whether the difference between the Polish CPI and the

HICP leads to difficulties hinges more on the issue of improvement of their own CPI. The misfit between the Swedish CPI and the HICP does lead to difficulties. None of the member states were satisfied with the level of influence. The fit between the European legislation and the practice in larger member states seem to be the decision on the desired methodology. A second issue, mentioned by Sweden and Poland, is the lack of transparency in the decision-making process. The assumption of Börzel and Risse (2000: 5) mentioned at the beginning, seems to be true to some extent. In case of a major misfit, as is the case in Sweden, the reason for non-compliance would be the misfit. However, in member states with a minor misfit, this does not lead to difficulties on compliance. As discussed in chapter 2 and 3, the goodness-of-fit theory cannot stand alone. This brings us to the hypothesis on administrative capacity. The next section will discuss the influence of this variable at the level of the member state as a reason for (non)-compliance.

7.3 Administrative Capacity at the Member State Level as a Reason for Compliance

The extra burden that comes with the production of the HICP and how this influences compliance will be discussed first. How to deal with this burden and possible solutions will conclude this next section.

The near perfect fit between the CPI of Luxembourg and the HICP is the result of a pragmatic choice by STATEC to keep the burden of producing the HICP on their capacity as low as possible. Consciously deciding to make the price indices similar as a way to keep the burden low, shows that administrative capacity acts as a mediating factor with the goodness-of-fit hypothesis. Next to this burden, several other types of tasks were named in the interviews. Both Sweden and Austria mentioned the extra burden of communicating the differences between the CPI and the HICP. Producing only one price index would lower this extra burden, but since the two indices still operate next to each other, the communication issue is probably of minor importance. Another burden from the HICP for Statistics Sweden is that some issues are a hindrance for them because it is not always clear what the purpose of regulation is. The pressure from Eurostat to send data that they are not obligated to is also considered to be a burden. Another outlook on the burden comes from CSO Ireland due to its positive effect on the CPI as was mentioned earlier on in this chapter. However, there is still an extra burden from producing the HICP. Since the procedures for the HICP and CPI in Poland are quite similar, there is a limited extra burden. Both Poland and Sweden mentioned

that when there is an change in methodology, this burden increases considerably. These types of burden have an varying effect on the compliance in the member states.

As already mentioned, for a small NSI as STATEC it is especially important to use their resources efficiently. However, if STATEC were to be non-compliant, especially with recommendations and best practices, their limited administrative capacity would be the reason. Apart from staff related and financial resources, better data sources and a limited NSS could also lead to non-compliance in Luxembourg. Better data sources and a stronger NSS are also part of administrative capacity. The ability to correctly implement and enforce legislation, extends beyond mere staffing financial resources. An example of this issue is the availability of scanner data in Austria. Statistics Austria does not yet have the ability to implement and enforce a part of the framework regulation. In Poland the reasons behind non-compliance were the lack of good data sources and resources concerning staff, time and IT.

Instances of non-compliance in the compliance monitoring report for Sweden were mostly the result of resources and prioritization. Statistics Sweden was focusing on other issues and allocated its resources respectively. As discussed in the literature review, salience is tied to the concept of administrative capacity. Prioritizing certain issues would not be necessary, if there were the needed resources. Due to the recommendation, the issues were noticed and corrected. Resource issues are also the main reason behind potential non-compliance in Ireland. Most member states, with the exception of Austria, name resources as a reason behind identified or hypothetical non-compliance. However, in the case of Austria, their reason behind non-compliance can be tied with the administrative capacity within the NSS.

As mentioned in the interview at Eurostat, the solution to simply buy staff, does not always solve the problem. In the issues on better data sources and strengthening the NSS, this is true. However, sometimes extra staff is the solution. CSO Ireland doubled their statistician staff from one to two in order to keep up with the developmental work to ensure long term compliance. Increasing resources from the national governments play a role in extending capacity, as do grants from Eurostat. Applying for these grants is seen as a cumbersome task for Luxembourg and Ireland. Since the money from the grants will go to their central governments, they receive the extra money indirectly. The amount of bureaucratic work that goes into this process, does not work as an incentive for these countries. Statistics Sweden does make use of the grants, but these do not lift the burden of producing the HICP. The extra

work that comes with producing European statistics is also not accompanied by extra resources from the government. In an event of major methodological changes, CSO Poland did mention that this is often co-financed by the EC. Overall, the extra work that results from producing the HICP is not accompanied with an extended administrative capacity.

One factor, the value of the ESS, that is also tied to the concept of administrative capacity is mentioned by all interviewees. Looking back to the literature review, the ESS can be regarded as a formal supporting institution within the statistical policy area. As discussed in the literature review, this mediating factor of the goodness-of-fit variable is related to the administrative capacity. The increased contacts within ESS create methodological assistance for smaller countries as they depend on the shared knowledge. The contacts in the task forces and workshops result in study visits to other member states. The facilitating role of Eurostat is clearly visible in this example.

Summarizing, that administrative capacity influences compliance is mentioned by all member states. There is a degree in which administrative capacity plays a major role in compliance. For Austria the administrative capacity only presents a minor problem. For STATEC the resources present a challenge, but their production of the indices is streamlined in order to keep the burden low. Despite their large organizations both Statistics Sweden and CSO Poland mention resources as a source of non-compliance. Limited resources is also mentioned by CSO Ireland, but the extra statistician presents a solution. The hypothesis that a member state with limited administrative capabilities will face more difficulties to comply with EU legislation, seems to be valid. The next section will discuss an important distinction regarding compliance, that between compliance with legal obligations and compliance with recommendations and/or best practices.

7.4 To Comparability and Beyond

After discussing the process of compliance in respect to the goodness-of-fit and administrative capacity, this last part of the analysis will touch upon the issues with which member states were not compliant and the varying degrees of ‘severity’ of compliance.

In the selection made here, there were no compliance issues that affected the comparability of the HICP. Generally, the HICP is a mature field and compliance with legal obligations is important for the member states. Topics on which member states were non-compliant are very diverse. Some issues were found in multiple member states.

Recommendations by Eurostat on telecommunications, insurances, dwelling, airfares, holidays, the difference between list prices and actual prices, reduced prices, financial services and seasonal products occurred in more than one member state. Despite the fact that follow-ups two years after the visit do not take place, all member states take note of the issues and improved. The compliance monitoring visits are important for the quality measurement in Austria, and the report and its added value were missed. Only in Poland, there was an issue which had not been resolved since the last visit. However, this problem will be resolved once the new IT-system is up and running. These recommendations were almost all on issues with which a member state does not have to comply, since the topics are not in a regulation. The next part will discuss the added value, but also some issues, that can occur when the demands go beyond comparability.

In cases where an NSI is advanced and develops its own methods, the best practices as identified by Eurostat can sometimes prove challenging. As discussed, the result from those negotiations is often skewed towards the status quo in larger countries, not necessarily the best practice in the EU. Going beyond comparability on your own is not encouraged since Eurostat needs to be notified before making any changes. As discussed previously, at Statistics Sweden, next to the pressure to supply data which is not a legal requirement, this is regarded as a burden of the HICP. The long wait between creation and implementation can discourage officials. This practice both safeguards the comparability of the HICP, by keeping Eurostat updated on changes that might influence the index, and restricts the development of methodologies that will expand and broaden the HICP on the long term. A balance on these issues must be found in order to retain a sustainable development. Besides the need to encourage development in the member states, on which Eurostat is also dependent, compliance with recommendations and best practices is a second way to ensure long term compliance and development within all member states, also the ones with limited administrative capacity. The issue that regulations, recommendations and best practices are not always a result from the best practices in the EU, could be a danger to the development of the HICP. However, ensuring comparability between the HICP is the main concern. Drafting legislation that contains the best of the best methodology, but is difficult to comply with for most member states, does not secure comparability. A stable development might be the best way to ensure comparability in the short term. For some countries, particularly Luxembourg and Ireland, the availability of grants could be improved. The load of bureaucratic work combined with the funds being transferred to the central government, makes applying for

grants to develop methodologies inconvenient. Next to comparability the accuracy of the HICP, by comprehensively measuring the price development within the HFMCE, is a way to keep the HICP relevant for the years to come. An example of this development is the inclusion of owner-occupied housing. Some member states already have this included in their CPI and can offer their know-how to others.

All in all, the feature of going beyond comparability makes this an interesting case. The sustainability and development of the HICP is an integral part of the compliance with regulations, recommendations and best practices. The statement by Treib (2014: 5) that compliance and implementation are two sides of the same coin might be true, but this case shows the importance and added value of looking at both sides. The story behind compliance is found in the processes that precede application and that follow in the enforcement stage. The next and final chapter will briefly summarize the findings, discuss shortcomings, review the scientific and societal contribution and present some promising areas in which work on implementation and compliance can develop.

Chapter 8: Conclusion

The previous chapter has discussed the role of goodness-of-fit and administrative capacity regarding compliance at the European and member state level. The discussion concluded stressing the difference between compliance with codified legal standards and compliance with recommendations and best practices. This chapter will conclude the overall discussion on compliance with HICP in the member states. The scientific and societal contributions and shortcomings of this research will also be touched upon. This chapter will conclude by looking forward into some interesting research topics.

8.1 Compliance with Statistical Regulation in the European Union

The general research question, *to what extent are member states compliant with statistical regulation in the European Union, and what role do the goodness-of-fit and administrative capacity arguments play in this process*, can now be answered. Overall the level of compliance with HICP regulation in the selected member states makes the data trustworthy. There were no instances of non-compliance where the comparability of the HICP was at risk. In the cases where non-compliance with legal standards occurred, they did not influence the final aggregate. Regarding compliance with recommendations and best practices, there is still much to be done. The ESS network, with the facilitating role of Eurostat, is instrumental in developing the HICP through compliance with those recommendations and best practices.

The influence of the goodness-of-fit and administrative capacity is clearly visible. Overall, the goodness-of-fit has the most influence for all member states with regards to the decision-making process, not compliance with legislation. Only in the case of Sweden, also the member state with the largest misfit, has the fit been named in relation to non-compliance. The hypothesis, *'when there is a high degree of misfit between the existing domestic policy and the new EU policy, it will be more difficult for an institution to comply'*, can be confirmed based on the country selection. Sweden, with the highest misfit, has more difficulty complying due to the differences between the indices. The other countries, with minor misfits, did not name the misfit as a reason for such difficulties. The hypothesis on administrative capacity, *'a member state with limited administrative capabilities will face more difficulties to comply with EU legislation'*, is difficult to verify since all member states named resources as the main reason behind possible non-compliance. Also the larger NSIs, CSO Poland and Statistics Sweden, mentioned limited resources. All in all, this hypothesis cannot be confirmed or denied.

8.2 Contributions

Generalizing a case study is a slippery slope. The case, HICP compliance within Luxembourg, Sweden, Austria, Poland and Ireland, does give an insight into compliance within a policy area that has not been studied in-depth. The scientific relevance of this thesis is found in adding value to the already existing policy field and filling the gaps mentioned in chapter two and three. The different country selection, policy area and type of legislation makes this a contribution on three levels. Filling these gaps improves the overall generalizability of the field. The societal contribution of this thesis is that statistics matter for our everyday life. Even though the policy area might not be as thrilling as other subjects, its importance for the policies that shape our everyday life, cannot be denied. We all benefit from a stable economic growth, and the HICP is partly the basis for the monetary policies at the ECB.

8.3 Shortcomings

As mentioned in the previous part, generalizing the case is difficult and this is one of the major shortcomings of the chosen research design. The research design as tried to ensure the reliability and the various kinds of validity. However, due to limited resources, not only an issue for member states but also for the researcher, decisions had to be made regarding the research design as discussed in chapter 4. In the interviews a limited number of interviewees mentioned the vague legal texts as a reason for possible non-compliance. Due to the relatively unexplored policy area, legal instrument and country selection, several other concepts from the literature could be chosen. Some issues that come up in the interviews could also be interesting for further research.

8.4 Looking Forward

Vague legal guidelines and non-transparent decision-making were mentioned by several interviewees. This points towards legal aspects as another variable that influences compliance. Theories of historical institutionalism and institutional misfit, could also be a helpful starting point to understand the institutional development of statistical agencies. The combination of regulations on the one hand, and soft law instruments such as recommendations and best practices on the other, would broaden the understanding of how different legal instruments combine and affect domestic policy and institutions. This use of legal instruments allows the policy area of statistics to go to comparability and beyond.

Annex 1: Country Selection

POPULATION SIZE* :

(<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&pcode=tps00001>)

Large (20 million or more): Germany, France, UK, Italy, Spain, Poland

Medium (between 20-5 million): Romania, Netherlands, Belgium, Greece, Czech Republic, Portugal, Hungary, Sweden, Austria, Bulgaria, Denmark, Finland, Slovakia

Small (between 5-1 million): Ireland, Croatia, Lithuania, Slovenia, Latvia, Estonia

Extra small (less than 1 million): Cyprus, Luxembourg, Malta

LENGTH OF MEMBERSHIP: (https://europa.eu/european-union/about-eu/countries/member-countries_en)

Founding members of 1958 (Belgium, the Netherlands, Italy, Germany, Luxembourg, France)

70s (Denmark, UK, Ireland)

80s (Greece, Portugal, Spain)

90s (Austria, Finland, Sweden)

00s (Bulgaria, Cyprus, Czech Republic, Hungary, Estonia, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia)

10s (Croatia)

ECONOMIC SIZE* (as measured by GDP in million

euros): (<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00001&plugin=1>)

Large (1.000.000 or more): Germany, UK, France, Italy, Spain

Medium (between 1.000.000 and 100.000): Netherlands, Sweden, Poland, Belgium, Austria, Denmark, Ireland, Finland, Portugal, Greece, Czech Republic, Romania, Hungary

Small (between 100.000-25.000): Slovakia, Luxembourg, Bulgaria, Croatia, Slovenia, Lithuania, Latvia

Extra small (less than 25.000): Estonia, Cyprus, Malta

POLITICAL/ADMINISTRATIVE STRUCTURES** (as categorized by administrative traditions)

(Painter, M. and B. Guy Peters (2010), 'Administrative Traditions in Comparative Perspective: Families, Groups and Hybrids', in: M. Painter and B. Guy Peters (2010), Tradition and Public Administration , London: Palgrave MacMillan, p.19-30)

Anglo-Saxon: Ireland, UK

Napoleonic: France, Spain, Portugal, Belgium, Luxembourg

Germanic: Germany, Austria, the Netherlands

Scandinavian: Denmark, Sweden, Finland

Post-Soviet: Poland, Czech Republic, Romania, Hungary, Estonia, Slovakia, Bulgaria, Croatia, Slovenia, Lithuania, Latvia

Another factor that was taken into account was the availability of recent compliance reports (<http://ec.europa.eu/eurostat/web/hicp/methodology/compliance-monitoring>), the position of countries within the EMU (<https://www.ecb.europa.eu/ecb/history/emu/html/index.en.html>) and whether they were willing/able to participate.

FINAL COUNTRY SELECTION

- Ireland

- Luxembourg

- Austria

- Sweden

- Poland

* The categories for size (population and economic) were made at the researcher's discretion. Slightly different categories will possibly lead to a different country selection.

**The decision to choose administrative traditions to group countries together based on political and administrative structures was made based on the various components that are taken into account by Painter and Peters.

Annex 2: Initial Contact and Interviewee Information (removed for publication due to personal information)

Annex 3: Interview questions

The interviews are semi-structured. The questions will not be asked literally in some cases, but provide general lines along which the interview will be held.

The following introduction was added to all the interviews:

Introduction

In my thesis on compliance with HICP regulation I study factors that could benefit or hinder compliance in member states with legislation from the European Union. A large part of the literature on ‘Europeanization’ has focused on the domestic impact of directives in a limited number of countries and policy areas. Regulations, let alone regulations regarding statistics, have hardly been researched within this field. The questions will reflect findings in the literature and focus on the process behind compliance in your organization.

Interview – Eurostat

1. INVENTORIES

I understood that a change with the new framework regulation is the transmission of inventories as part of compliance monitoring. The majority of the countries have been transmitting their inventories before they were obligated to.

1.1. Why did Eurostat opt for the inclusion of inventories as part of compliance monitoring?

1.2. How did the ‘pilot’ process unfold? Any lessons? Are there countries that often join pilot studies?

1.3. Do you expect any difficulties in its implementation?

2. REGULAR DATA ANALYSIS

2.1. Do certain issues often come up at this point?

3. COMPLIANCE MONITORING VISITS

3.1. How often do countries receive a visit?

3.2. Do the ECB and/or DG ECFIN always join?

3.3. Are there regular issues that come up during these visits?

4. COMPLIANCE MONITORING REPORT

4.1. Do countries often not comply with legislation at the stage of publishing a compliance monitoring report?

5. FOLLOW-UP

5.1. How is this follow-up organized?

5.2. How is compliance with any requirements/suggestions made by Eurostat at time of the follow-up?

6. ROLE OF EUROSTAT

6.1. I read that in drafting legislation, attention is being paid to the situation in member states. What is the reason behind this?

6.2. What does Eurostat do to ensure compliance with HICP regulation? (additional funding, expertise?)

6.3. Regarding ensuring and monitoring compliance, where do you think lay the most important challenges ahead?

7. CONCLUSION

7.1. What do you think is the main reason why member states do not comply?

7.2. Is there anything you think is important concerning compliance within Eurostat or in general with the HICP that I didn't ask about?

Interview – Sweden

1. HICP/CPI

1.1. I read that the CPI and the HICP serve different purposes. What is this difference?

Difference Swedish CPI/HICP: Compared to the CPI, the HICP does not include the majority of the housing costs of owner-occupied homes, tenant-owned dwellings or state gambling proceeds. Unlike the CPI, the HICP includes costs for hospital services as well as certain financial services (where the fees are proportional to the size of the transaction).

http://www.scb.se/contentassets/a1e257bb3a574420b9d3f2ff59851c0a/pr0101_kd_2017_pn_170502-eng.pdf

1.2. Has this difference led to any difficulties in the past?

1.3. Does the HICP production create an extra burden for Statistics Sweden?

1.4. On the Eurostat website they claim to take considerations of the member states into account whilst drafting new legislation. Would you agree? And how does this influence Statistics Sweden?

2. COMPLIANCE MONITORING EUROSTAT (August 2013)

2.1. Despite overall compliance, there were some instances of non-compliance at the time. What were the reasons for this non-compliance?

2.2. Was there a follow-up by Eurostat? If yes, what was the outcome?

2.3. Does Statistics Sweden receive any assistance to comply with regulation from Eurostat?

3. CONCLUSION

3.1. What do you think would be the main reason why Sweden would not comply?

3.2. Is there anything you think is important concerning compliance within Eurostat or in general with the HICP that I didn't ask about?

Interview – Luxembourg

1. HICP/CPI

1.1. I read that the national CPI and HICP are very much alike, the only exception being the exclusion of spending of non-residents within the Luxembourg territory. Was your national CPI specially designed to match the HICP? If yes, why?

1.2. Has this difference led to any difficulties in the past?

1.3. Does the HICP production, despite its similarities, create an extra burden for STATEC?

1.4. On the Eurostat website they claim to take considerations of the member states into account whilst drafting new legislation. Would you agree? And how does STATEC influence

this? (geographical factor / actively participated in the recommendation on the treatment of internet purchases)

1.5. In the peer review report of March 2015 concerns were voiced regarding the resources of STATEC. Do you agree that resources are an issue at STATEC?

2. COMPLIANCE MONITORING EUROSTAT (October 2012)

2.1. Despite overall compliance, there were some instances of non-compliance at the time. What were the reasons for this non-compliance?

2.2. Was there a follow-up by Eurostat? If yes, what was the outcome?

2.3. Does STATEC receive any assistance to comply with regulation from Eurostat?

3. CONCLUSION

3.1. What do you think would be the main reason why Sweden would not comply?

3.2. Is there anything you think is important concerning compliance within Eurostat or in general with the HICP that I didn't ask about?

Interview – Austria

1. HICP/CPI

1.1. Is there a difference between your national CPI and the HICP?

1.2. If so, has this difference led to any difficulties in the past?

1.3. If so, does the HICP production create an extra burden for Statistics Austria?

1.4. On the Eurostat website they claim to take considerations of the member states into account whilst drafting new legislation. Would you agree? And how does this influence Statistics Austria?

2. COMPLIANCE MONITORING EUROSTAT (August 2013)

2.1. Why is there no recent compliance monitoring report of Austria?

2.2. When was the last compliance monitoring visit? Was there a follow-up by Eurostat? If yes, what was the outcome?

2.3. Does Statistics Austria receive any assistance to comply from Eurostat?

3. CONCLUSION

3.1. What do you think would be the main reason why Austria would not comply?

3.2. Is there anything you think is important concerning compliance within Eurostat or in general with the HICP that I didn't ask about?

Interview Ireland

1. HICP/CPI

1.1. Has the difference between your national CPI and the HICP led to any difficulties in the past?

1.3. Does the HICP production create an extra burden for CSO?

1.4. On the Eurostat website they claim to take considerations of the member states into account whilst drafting new legislation. Would you agree? And how does this influence CSO? (goodness-of-fit)

2. COMPLIANCE MONITORING EUROSTAT (May 2017)

2.1. Was there non-compliance identified during the last visit? If so, what was the reason for this non-compliance?

2.2. Do you see any difficulties, in implementing the required changes? (if there was non-compliance)

2.3. Does CSO receive any assistance, in the form of grants, from Eurostat? (administrative capacity)

3. CONCLUSION

3.1. What do you think would be the main reason why Ireland would not comply?

3.2. Is there anything you think is important concerning compliance within Eurostat or in general with the HICP that I didn't ask about?

Interview – Poland

1. HICP/CPI

1.1. Is there a difference between your national CPI and HICP? If so, does this lead to any difficulties?

1.3. Does the HICP production create an extra burden for CSO Poland?

1.4. On the Eurostat website, Eurostat claims to take considerations of the member states into account whilst drafting new legislation. Would you agree? And how do you use this influence?

2. COMPLIANCE MONITORING EUROSTAT (June 2016)

2.1. Despite overall compliance, there were some instances of non-compliance at the time. What were the reasons for this non-compliance?

2.2. Was there a follow-up by Eurostat? If yes, what was the outcome?

2.3. Does CSO Poland receive any assistance, in the form of grants, to comply from Eurostat?

2.4 Do you think your relatively recent membership to the European Union influenced compliance with HICP regulation? If so, how?

3. CONCLUSION

3.1. What do you think would be the main reason why Poland would not comply?

3.2. Is there anything you think is important concerning compliance within Eurostat or in general with the HICP that I didn't ask about?

Annex 4: Summaries of Interviews

4.1 Interview Eurostat - May 30th , 2017

After a short introduction on the thesis (focus is on governance behind compliance, not law/statistics), the interview started. The questions were not all literally followed, because a more naturally flowing interview was preferred.

After the introduction (also on the main concepts as clarification) a discussion on the drafting phase of the legislation followed. While drafting legislation, it is not the purpose to please member states. The legislation comes from needs in other policy areas. For the HICP, the creation of the EMU was this ‘need’. Despite differences between countries, there is a sense of uniformity towards the goal of the legislation: better statistics. Although the Commission (and in this sense Eurostat) has the prerogative to draft legislation. Before and while drafting legislation there is a lot of contact between Eurostat and member states. During discussion member states can offer input. While discussing the legislation, the Council and Parliament can offer their insights as well. The Parliament is more European-minded, while the Council has a more national interests. Their concerns are often on topics where they expect non-compliance. However, since QMV is necessary, legislation should be able to get a majority behind it.

There is an important difference between compliance with the legal obligations and ‘compliance’ with the recommendations. While monitoring compliance, the legal obligations have priority above the recommendations. Another important aspect of compliance is its severity. This is also the reason why the ECB wants to be involved in this process. When the compliance is limited and does not affect the robustness of the numbers, there is no major concern. However, compliance is a matter of black and white. Non-compliance, especially with legal obligations, should be dealt with appropriately.

The addition of the inventories is a codification of a practice that has been applied in the HICP for a while. The practice came to the HICP from the field of national accounts. Statistics on national accounts grew from the need to be able to compare GDPs for the contribution of member states. In additional legal acts the structure, level of detail and specifics to the HICP need to be added. Right now, submitting an inventory is a requirement but no conditions have been determined yet. It is a meaningful exercise, but resources matter.

Eurostat carries out 3 to 4 compliance monitoring missions a year, but it depends on staffing. Besides these missions, there is intensive bilateral contact in the well-established policy area of the HICP. The ECB/DG ECFIN are the two most important stakeholders. The ECB joins the compliance monitoring visit in most cases since compliance is most important to them. During these visits there are no regular issues, since the focus tends to vary from country to country depending on the advancement/maturity of their statistics and membership to HICP. The newer Eastern-European states are still learning. Staffing at the NSIs tends to be an issue, but this does not influence the compliance monitoring visits. Sufficient resources should be given at the political level.

Follow-ups after the compliance monitoring visits are organized through no strict structure. The official who carried out the compliance monitoring visit is also responsible for the follow up. When there is still 'real non-compliance' with the legal obligations Eurostat can escalate by bringing it to a political level.

Member states do not receive funding in order to comply with legal standards. They can send in a proposal for funding for activities that go beyond their legal obligations. Aid in the sense of expertise is often not given, since there is more expertise in member states. When member states want expert input, they are encouraged to look at what others are doing in a condition similar to their own. Organizing workshop where member state officials can share their experiences is very helpful in promoting this. For small countries/NSIs there is the problem of resources mostly. More mature organizations (such as the Dutch NSI) have enough staff and other resources to do their work. Extra funding does not allow you to simply buy more staff. Contracting out of certain activities is possible. However, this does not solve the structural problem of understaffing. In the newer agencies their working conditions differ greatly from more mature organizations. In such a case you admire what they can do, but compliance remains a case of black and white.

Overall there are few cases of non-compliance since the field is well-established. Matters that require fine tuning remain. Sometimes highly technical matters are at the base of non-compliance, beside resources. The legislative texts do not always allow for clarity on the technical/mathematical side of compliance. Here matters of a difference of interpretation between Eurostat and the member state need to be resolved. Once clarity is established, countries apply whatever has been decided. There is no slower or non-application involved.

Because the numbers of the HICP/inflation has a high policy visibility, correct numbers are important. An important part of the success of the HICP is the ESS. You know and trust the persons in the other countries. This relationship also allows you to be clear and outspoken when things go wrong. The ESS really is a success story.

No major issue is to be expected in the implementation of the new legislation. The secondary legislation needs to be translated/streamlined. Regarding 3.7 in the new legislation could prove a challenge. This is the article on whether or not to add owner-occupied housing to the basket. Before the end of next year Eurostat has to write a report on this subject. Inclusion of this category would mean a major change. However, here we will not reinvent the wheel but see what's already been done in member states and build on that. In the working groups where this legislation really gets decided are experts from the member states. The workshops, as mentioned, are an important albeit informal element. It is not only about procedures, but also about trust. This adds to the legal skeleton.

4.2 Interview Luxembourg - May 31st , 2017

After a short introduction on the theoretical background the interview began.

An important aspect of Luxembourg legislation on CPI is that they follow HICP legislation, with one exception. Following the HICP is a pragmatic choice for Luxembourg. The exception is the exclusion of spending of non-residents within the Luxembourg territory. People from German and French bordering regions come to Luxembourg for fuel and tobacco. Including this spending would have a false effect on the inflation rate for Luxembourg. Following the HICP on this aspect, would not be convenient.

The reason for any non-compliance would be resources. By delegating the technical discussions on national CPI procedures to the European level, this simplifies the national process. An extra advantage is that there is no need to justify the choices, 'we should just be compliant with EU regulation'. Due to the lack of resources there is also a lack of national input. It is especially difficult for users to influence statistical decision-making in regard to the methodology choices.

There is national input, before drafting the legislation through the more informal processes such as working groups and task forces. However, being a small country your weight is less. By building coalitions and focusing on technical arguments there can be some influence. In general, there is a bias towards changing the least possible. For example, although the

recommendation on seasonal products bans the really bad practices, two methodologies persist. Technically, this is not ideal. However, two prominent methods found a place in the methodology since a majority of countries came to a consensus. Luxembourg had to change their practices. The decision-making and legislation is biased towards what the majority of the countries, and especially the larger countries, is already doing. The real decisions are taken in the more informal task forces. Since the discussion is often of a technical nature, these settings are generally preferred. Production of the HICP does not create any extra burden for Luxembourg since their national CPI and the HICP are similar. This is beneficial, since STATEC has about 200 employees for all statistical work that needs to be done.

The compliance report had suggestions on how to improve 'compliance' with recommendations and best practices. Respondent was reminded of the document because of the interview. Most of the suggestions have been taken up. There were no 'red lights'. Regarding recommendations and best practices, many things can be done. However, limited resources force prioritizing of issues.

The main reason for non-compliance would be related to resources, issues are rarely political. A lack of data sources and a weaker NSS are also elements which dampen the ability to comply with all recommendations and best practices. The question of whether STATEC uses grants in order to work on recommendations and best practices was answered with yes/no. STATEC does ask for the grants, which involved a lot of administrative work. However, the money goes into the general government accounts. Indirectly STATEC can ask the money, but generally the grants do not provide support. Austria has another system for the grants which works better. In the case of Luxembourg is it not a very efficient instrument. You are also asking money for things you're often already doing or which are easy to do. Sharing knowledge and the centers for excellence are better instruments.

For a smaller country compliance improves the quality of statistics. Since you have to follow the train, you can't be left behind. When this European pressure would not be there, the pressure to improve would be too low. Regulations are the result of shared knowledge. It is more difficult for a less advanced NSI to build such knowledge in-house. They are indirectly being pulled up by others to improve their quality. The follow-up did not really take place. The system as is, is not very efficient. In the case of Luxembourg this could also have to do with their relatively small weight in the aggregate. The compliance monitoring report can be

used to change something despite concerns of users. Eurostat, on behalf of the Commission, wants to change and thus STATEC should change.

In general, even when practices are bad, there is a bias towards the status quo. The national interest is generally to change as little as possible and to keep the response burden low. Eurostat in this process is not a frontrunner, but more a facilitator. They look at all European member states to spot best practices and then encourage other member states to do the same in order to reach more sophisticated statistics. How can the EU improve compliance with soft law? Make it 'hard', or use naming/shaming of bad practices. A last remark was made about compliance of the Eastern-European member states. Prior to accession they had a lot of assistance to comply. Countries that were part of the EU from the beginning never had such support.

4.3 - Interview Sweden June 2nd , 2017

After a short introduction, the interview began with the questions relating the difference between the CPI and the HICP. The Swedish CPI and the HICP differ on a number of accounts. Instead of viewing their CPI as a cost-of-goods index as the HICP does, the Swedish see their CPI as a cost-of-living index. The interpretation is the main difference and greatly affects users. This difference complicates the communication as well. Another aspect is the coverage. Since Statistics Sweden uses their CPI as a cost-of-living index, they include owner-occupied housing in their basket. The difference in methodology between the European and Swedish level is quite pronounced. They do try to influence European decision-making, they also have a strategy for it. It is a high priority to influence and be a respected partner to help the European statistics to advance. However, it is difficult to influence. In the new legislation, our points were not included. The complex democratic process of drafting legislation also makes successful influence more difficult. The whole process took over two years and was not very transparent.

Some recommendations and best practices are hard to implement due to resources and priorities. There are bigger problems concerning methodology in the eyes of Statistics Sweden. They did not prioritize the issues that Eurostat raised. However, they had not noticed the issues. They can give advice on how others are doing. Proposing best practices is beneficial. However, these best practices are not always 'best' practices but are a result from a compromise between member states. National specifics also need to be taken into account.

For example, in Sweden, the housing market is quite difficult. You can't compare member states in all areas. The work on the task forces related to methodology is very beneficial.

Sometimes also strange ideas are coming from the European level and this causes a burden. For some demands it is unclear how the data can be used, for example the administered prices. No clear definition is given on the subject. Sometimes you are pressured to supply certain data, even when there is no legal obligation. So European cooperation is beneficial, but also a burden to a large extent. There are also other ways to harmonize, for example through the ILO and the UN.

There was no record of a follow-up after the most recent compliance monitoring report. The writing process took a long time. Statistics Sweden does receive grants from Eurostat for developing when there is a new regulation. But there is no grant to cover the extra burden. The extra European work does not result in extra budget from the national government. In order to keep the national users of the CPI content and comply with the European legislation the amount of extra work is quite large.

The hypothetical question of why would Sweden not comply was answered that they do try to comply despite differences with the national CPI. Where new regulation deals with statistics that were not produced or provided before this can also cause issues with compliance. A lack of understanding of national differences could also play a part, for example on owner-occupied housing. Where the national practice is good, but the demands by the European Union go beyond this practice, it will also be difficult to comply due to limited resources. The average extra burden to produce the HICP annually is estimated at about 50.000 Euro. Making adjustments to comply costs an extra 25.000 Euro a year. These numbers do not include that sometimes the CPI can also benefit from the HICP.

The new framework regulation has some odd demands in it. Like somebody who does not know how price statistics work. You needed to notify Eurostat 12 months in advance if you were planning on making changes to the methodology. Now it is at 3 months, but this is still too much when you want to adapt to the real world. This also demotivated people on improving methodology, since you have to wait a long time before you can implement it. The vague legal texts hinder the ability to make quick changes. When you want change you can do it in the beginning of February. This was not well thought through. Legal texts are not made for application in that sense. This is a major issue for quality assurance and it is costly to work that way.

4.4 - Interview Austria - June 2nd , 2017

After a short introduction, the interview began with question related to the national CPI and HICP. There is not a large difference between the national and European index. The national CPI had about 10/15 items extra compared to the HICP. Mostly traditional reasons are behind this. Another difference is that the expenditure by tourists is not included, so instead of the domestic concept, the national concept is followed. Price collections are made for the CPI and HICP at the same time, with the exception being the extra 10/15 items. The burden of producing the HICP is mostly to stress the difference between to the numbers to the public and media. Having only one price index would make it easier.

Respondent largely agreed with the notion of having influence in the decision-making process. Eurostat should not neglect the national situation. In the task forces there is an opening for influencing. You can influence on the basis of good arguments and coalition building. When there is a difference in opinion on issues, arguments are used. The bigger countries have more influence. When they together form a coalition, there is little to do for a smaller country. Finding friends in smaller countries and forming coalitions is a way to influence to process.

The most recent compliance monitoring visit was in 2012/13. There is another one scheduled for September 2017. Eurostat did not make a compliance monitoring report. 1 or 2 years ago there came a question from Eurostat, where the compliance monitoring report was. This was a mistake at Eurostat. The visits and reports are important for the quality management. Informally, we took notice and implemented changes.

Statistics Austria makes use of the grants provided by Eurostat, for example on scanner data and web scraping. They applied for several cases and grants were given. The continuous use of grants is beneficial. In the case of scanner data less progress was made but this had to do with the availability of data at the national level. The responsible ministry (Economics) is influenced by the Chamber of Commerce who are not particularly in favor. There will be a summit to negotiate this issue this summer. The issue of scanner data has to be regulated at a national level before we can comply. However, in general Statistics Austria would comply. Full compliance is difficult because of the scanner data issue. In the regulation it says that if such data is available it must be given, but in Austria this is more difficult. No other reasons for non-compliance can be given, there is no big reason why Statistics Austria would not comply with legislation.

4.5 - Interview Poland

Due to practical matters, the interview with respondent was conducted via e-mail correspondence. Following the first set of answers, follow-up questions were sent as the second part of the interview. The section below summarizes the answers.

There are difficulties between the CPI and the HICP, such as method of calculation, scope and source of weights. It is difficult to say whether this leads to any difficulties, respondent thinks that the Polish CPI needs to be refined in some areas. The production of the CPI and HICP follows the same process as much as possible. Examples of this streamlining are data collection and verification of data. Overall, the HICP does create some extra work, but this is not a significantly large part of the total costs. The situation is different when major changes in methodology are needed. Here substantial costs cause a burden, but these changes are often co-financed by the EU.

Influence in the new legislation was considered limited. Since the legislative process was a rather special case, there was limited opportunity to participate. When consulted, CSO Poland presented their opinions and comments. This consultation was followed by long negotiations on the level of the Council and Parliament. At this stage some parts of the regulation were modified based on a compromise between those institutions.

During the most recent compliance monitoring visit, there were some instances of non-compliance. There are different reasons to be named for this. Some issues in the compliance report were noticed and mentioned by CSO themselves too. A lack of good enough data, lack of resources (personnel, time, IT) and vague guidelines can be named here. These are also the reasons why Poland in general would not comply. In the most recent compliance monitoring report there was an issue with the rounding of data that was not corrected since the visit before this one. Some aspects of this non-compliance is not fully understood by CSO, but we are currently modernizing the IT system which will improve this issue.

Some of the recommendations are also quite new, so time is needed to adapt to them and find solutions to certain issues. Some areas within the market, due to their special character, are very problematic for the price survey. The recommendation on insurance for tenants is due to a lack of data and specific issues on the rental market in Poland more difficult to comply with. The lack of relevant data may also create difficulty to comply with the recommendation on the transaction prices of used cars. Most improvements depend on the availability of staff and

IT resources. There has been no follow-up of the visit yet. As mentioned above, CSO Poland does receive some grants to comply on some aspects. The relatively new membership of the EU has not led to any special cases. Prior to the EU, CSO didn't calculate the HICP. At the start of the calculation, Poland used the existing legislation and deadlines.

4.6 - Interview Ireland

In Ireland the HICP and the CPI are relatively similar. The main difference is that our national CPI includes owner-occupied housing and takes a different approach to the calculation of weights for insurance. These differences have not caused us any particular difficulties in the past.

Yes the HICP production does cause an extra burden. My view, however, is that this burden is welcome not only for the production of harmonized indices but also to create an impetus to improve the quality of the national index. Beyond the extra indices that have to be produced for HICP compliance, the interaction with the Commission (in the form of Eurostat) and other European countries to ensure harmonized statistics creates a natural methodological support which is important for a small country like Ireland. This interaction is particularly useful at the Taskforces and Workshops (rather than the Working Groups – although they are useful too) which is where particular problems are debated and solutions proposed. It is often the case that the connections and networks that are created at meetings held in Luxembourg (and elsewhere) lead onto study visits from one NSI to another.

When new legislation is being proposed, generally Eurostat come to the table with clear ideas about how they want to proceed. The reason for this is because Eurostat are reacting to the data requirements from the policy portfolios in other areas of the Commission. There have been occasions that I have seen in the past that Eurostat have pushed through legislation where practical difficulties with the implementation have not been taken into account. For this reason, when you are working in an NSI, it is important to be vigilant and listen very carefully to the plans from Eurostat to understand what they are thinking about the future. Eurostat very often run pilot surveys in advance of new legislation so it is important either to take part in these or at least monitor them very carefully. By speaking with the Eurostat officials on a regular basis helps with the smooth introduction of new legislation and for the elimination of surprises.

There were areas where we debated with Eurostat on topics of compliance. The main reason for non-compliance related to a number of reasons.

For example there are areas where the rules being applied may not be suitable for all countries. In these cases, we would layout our case that a particular piece of legislation should not be applied so strictly in Ireland. If an issue is not directly affecting the quality of our statistics, this would be a good reason not to apply that rule in Ireland.

There are also cases where it is not clear whether we are compliant or not. In these cases, it is possible that we take an opposite view to Eurostat and a compromise should be reached on a reasonable outcome.

There are also cases where we are genuinely non-compliant and we have indicated that this is the case to Eurostat. It is very much in our interest as an NSI to identify these areas so that we can prioritize them going forward. When you work in an area of statistics such as CPI/HICP, the development work required to meet all legislation is so vast that you must prioritize and use the resources available to you as efficiently as possible. In Ireland, traditionally we had one statistician in CPI/HICP, however due to the volume of work involved this has recently been doubled to two statisticians. Therefore, any areas where we were non-compliant was due to the resources available in the area.

It is a very difficult task producing the CPI/HICP to the required standards as set out in legislation. So yes there will be a number of years of planned development work to ensure we are fully compliant. We have restructured somewhat recently to ensure that “continuous improvement” becomes normal in the area. Now we have one statistician who will work all the time on improvement projects. The reason for this is because if you only concentrate on producing the indices, you will quickly fall behind the curve in terms of methodology which will inevitably lead to non-compliance as legislation is updated (which happens quite regularly in an area as prominent as the HICP).

As a policy we don't apply for grants as the money is not received in the CSO but in central government. We do however engage with pilot projects – we just don't apply for the money as this requires a lot of bureaucratic paperwork with no real benefit.

It is always our intention to comply. It is mainly a reason of resources that issues of compliance would arise. We have addressed this recently.

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