

Extracting Statistical Offices from Policy Making Bodies to Buttress Official Statistical Production

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Abstract

The system of statistical offices being part of policy making bodies is a “legacy” institutional setup that increases the risks for the implementation of professional independence and other statistical principles during the production of official statistics. Risks, such as “pressure risk” and “political attack risk”, *ceteris paribus* increase as they are mediated and amplified by hierarchical, administrative and resource dependencies of statistics production on the policy making body the statistics office is part of. Higher risks means higher costs. Costs outweigh any benefits from a statistics office being part of a policy making institution, and it would be more effective and appropriate to extract the former from the latter. Having statistical offices extracted from policy making institutions does not mean that risks or their perception will disappear, but that they would materialize with a lower probability. Additional steps would need to be taken to decrease this probability further—full institutional independence of official statistics production along with other safeguards. Extracting statistical offices from policy making institutions is, however, one necessary step on the road to buttress the long term robustness and sustainability of professional independence and of other fundamental statistical principles. This is in the best interest of official statistical producers as well as of the very wide variety of users of official statistics in modern society, including among them policy makers and political leaders.

Key Words: statistical office, official statistics; independence; quality risks; policy making; institutional setting

1. Introduction

The importance of official statistics is increasing not only for effective and rational government operations and policies—its original use—but also for the efficient functioning of domestic and international markets, international collaboration and cooperation, scientific and technological progress, and for the functioning of the democratic system. Official statistics is a public good¹ whose reliability and overall quality should be safeguarded and buttressed.

It is very often the case that statistical offices or bureaus, which are entrusted with the production of the official statistics of a country, are part of policy making institutions. It should give us pause that the work and performance of these policy institutions and the politicians heading them is assessed to a large extent on the basis of the statistics produced

¹ For a discussion of why official statistics is a public good see [1].

by the statistics offices embedded in these institutions. This institutional set up increases risks to the implementation of statistical principles, including *inter alia* of the principles professional independence, impartiality and objectivity and statistical confidentiality.

Creating an administrative distance between policy making institutions and statistical producers, by extracting statistical offices from policy making bodies, is one of the necessary means of buttressing the professional independence and other critical aspects of the quality of official statistics for the long run. This is in the best interest of official statistical producers but also—most importantly—in the best interest of the very wide variety of users of official statistics in modern society, including among them policy makers and political leaders.

The current paper is organized as follows: Section 2 presents the basic argument for the increase in specific types of risks when statistical offices are part of policy making bodies. Section 3 discusses the costs and benefits, whose juxtaposition should inform a rational choice on whether to extract statistical offices if they are part of policy making bodies or leave them as they are. Section 4 addresses what should be expected from the extraction of statistical offices from policy making bodies and what would further need to be done for the long term robustness and sustainability of professional independence and of other fundamental statistical principles. Section 5 summarizes some conclusions.

2. Increase in risks when statistical offices are part of policy making bodies

The system of statistical offices or bureaus being part of policy making bodies implies significant risks for the implementation of international statistical principles during the production of official statistics by such offices. There are risks to the statistical principles *inter alia* of professional independence, impartiality and objectivity and statistical confidentiality.

Risks are of different types and originate from various situations. There are two broad types of risks we are concerned with here: “pressure risk” and “political attack risk”.

- (i) “Pressure risk” is the risk that pressures will occur, either from outside the statistical perimeter² or in the form of self-censure, to circumvent statistical principles
 - a. “External pressure risk” is the risk of pressure from persons/entities outside the statistical perimeter on official statisticians to make decisions on the basis of nonstatistical considerations
 - b. “Self-censure risk” is the risk of pressure official statisticians may feel to engage in self-censure and modify their statistical behavior without having received overt external pressure. They engage in self-censure anticipating the sensibilities (perceived or actual) of policy makers or of others outside the statistical perimeter, and thus allow nonstatistical considerations to affect their statistical decisions

² Persons/entities outside the statistical perimeter includes users of official statistics such as policy makers, legislators, politicians, civil servants/administrators as well as market participants, academic researchers and the general public. Upstream data providers are also outside the statistical perimeter. [2]

- (ii) “Political attack risk” is the risk that official statisticians will be attacked by persons/entities in the political environment of official statistics production. The attack is usually justified on the basis of allegations that official statisticians have succumbed to external pressure risk and self-censure risk, or more generally that statisticians did not produce reliable and high quality statistics with independence, impartiality and objectivity.

The above risks *ceteris paribus* increase when statistical offices or bureaus are part of policy making bodies and the official statistics producers report to the policy making hierarchy.

How does it work?

The general argument underlying the thesis of this paper is that a basic condition of existence for the long term robustness and sustainability of professional independence and of other fundamental statistical principles is the institutional independence of official statistical production³ Institutional independence is by definition incompatible with statistical offices and bureaus being part of policy making bodies.

It should be noted that there is a fundamental distinction between the concept of institutional independence of official statistics production and the concept of professional independence of official statisticians.⁴ [2] **Professional independence** is when official statisticians (i) have the sole responsibility for deciding on statistical methods, standards and procedures, and on the content and timing of statistical releases; (ii) have responsibility for ensuring that statistics are developed, produced and disseminated in an independent manner; (iii) are free from political and other external interference in developing, producing and disseminating statistics; and (iv) their compilation of statistics is solely based on statistical principles and statistical legislation in force, without letting any other concerns sway their statistical decisions, and without fear or favor in making their decisions.⁵ **Institutional independence** of official statistics production is when the latter is independent from the executive, legislative or judicial branches of government.⁶

The specific argument underlying the thesis of this paper is that the above noted “pressure risk” and “political attack risk” are mediated and amplified by hierarchical, administrative and resource dependencies of official statistics production on the policy making body (and more broadly the executive branch of government) the statistics office is part of. Some of the aspects of such dependencies are listed below:

³ This argument is developed in A. Georgiou. Official statistics production should be a separate branch of government. Proceedings World Statistics Congress ISI 2017, Morocco, July 16 – 22, 2017. [2]

⁴ The distinction is akin to the distinction between institutional independence and decisional independence in the case of the judiciary. [3]

⁵ The definition of professional independence of official statistics offered here is informed *inter alia* by formulations of professionally independent behavior found in the European Statistics Code of Practice [5] and in the International Statistical Institute Declaration on Professional Ethics [6].

⁶ The argument is very similar to the one made in the case of judiciary independence: The judiciary’s institutional independence is a fundamental condition for its decisional independence. [3] [4]

- Hierarchical/authority/accountability relationships of officials in the statistics office with officials in the policy making body
- Conflation or amalgamation of any of the individual administrative and budgetary functions of the statistics office with those of the policy making body
- Control by the policy making body and its policy (nonstatistical) officials of human resource issues (e.g., staff hiring, promotion, remuneration, terms and conditions of work), financial resource issues (e.g., access to approved budget funds, distribution of approved budget to expenditure lines, making expenditure commitments, financial administration, auditing and settling expenditures), and other resource issues (e.g., access to foreign aid, provision of information technology and related security) of the statistics office⁷
- Physical proximity/cohabitation of the statistics office with the policy making body
- Control of the selection, appointment, reappointment, remuneration, termination of the incumbency of the head of the statistics office by the policy making body
- Officials of the statistics office carrying out non-statistical work/functions/tasks of the policy making body they are part of along with their statistical ones
- Assignment of parts of the statistical operations of the statistics office to the non-statistical parts of the policy making institution

Below are four examples (provided just for illustrative purposes) of what could occur with greater probability under the above listed conditions of dependence. These specific examples have occurred at least once—and most probably many times—in actual official statistics production around the world. There are a myriad others that have materialized or which could easily come true and could be additionally mentioned:

1. As the government is preparing to issue bonds in the market, the leadership of the policy making body in which the statistics office is embedded demands that the timing of a statistical release is brought forward or delayed, depending on its assessment of the market's reaction to the statistical figures due for release.
2. The leadership of the policy making body in which the statistics office is embedded considers that the official statistician in a decision making position has made or will likely make a statistical decision, which it sees as undermining its political interests. The official statistician is forced to resign as the policy making hierarchy controls and chokes to interrupt the flow of information and resources to the statistician, who is thus unable to do his work and is rendered ineffective.
3. The statistical staff embedded in the policy institution communicate a correct statistical figure to the hierarchy of the policy institution with a view to getting clearance to supply it (as an upstream data source) to the national statistics office compiling the relevant aggregate official statistics. The hierarchy of the policy making institution changes the figure to be communicated to the downstream national statistics office, thus altering the aggregate statistical figure.

⁷ It is a widely accepted argument in the case of the judiciary that if spending on the judiciary is controlled by the executive, this is considered to undermine the principle of judicial independence because it creates a financial dependence of the judiciary on the executive. Corruption of the judiciary by the state (through budget planning and privileges) is considered more dangerous than private corruption. [3]

4. An opposition politician claims “It is a phony set of numbers. They cooked the books” and “These are all phony numbers. Numbers given to politicians to look good” talking about official statistics produced by a statistics office that is part of a policy making institution. The credibility of the statistics becomes part of political competition and, in the process, the important public good of trust in official statistics is endangered, while various aspects of quality of statistics are undermined (e.g., survey response rates and cost effectiveness).

3. Costs and benefits of statistical offices as part of policy bodies

It is often argued that there are significant benefits from statistical offices being part of policy making institutions. To make a rational choice on whether to extract statistical offices if they are part of policy making bodies or leave them as they are, one would have to consider the costs and benefits of the two alternatives.⁸

The costs to statistics being part of a policy making body are the costs of (i) the above listed risks (see section 2) materializing, (ii) the perception of the risks as existing, and (iii) mitigating and managing the real and perceived risks. The economic and social, as well as political costs that arise can be very large because the resultant official statistics actually impede or are perceived by a material share of the (domestic and international) public to impede one or more of the following:

- the operation of the democratic system
- the rationality and effectiveness of policy making
- international cooperation and the production of global public goods
- the markets in operating effectively, adjusting in an orderly manner and leading to welfare maximization
- scientific research and progress

In addition, the costs to statistical offices (and the policy making bodies in which the latter belong) to manage and mitigate the risks and the perception of these risks would, *ceteris paribus*, be higher than when the statistics office is independent. The costs of effective supervision/checking of official statistics would also be higher. Furthermore, the costs to the economy of developing sources of information as an alternative to the official statistics (to address the above noted risks) would also tend to be higher than in a system where statistics production takes place outside policy making bodies.

Regarding the benefits of statistics offices being part of policy making institutions, the following are usually identified by the supporters of this approach:

A commonly specified benefit is the “access” to policy/decision makers that the head of the statistics office gets by being part of the hierarchy of a policy making body. This is supposed to help the views of official statistics production be heard and the interests of statistics production be served (e.g., by protecting statistical production from various adverse legislative, budgetary and other policy developments). Another benefit usually mentioned is the greater access to other parts of the policy making body, its human resources and its administrative data sources. Access to various parts of the civil service in the policy making body is thought to help protect official statistics production from the

⁸ The discussion here is informed to a large extent by a discussion in [2].

various adverse developments mentioned just above, as well as provide for human capital support in areas within statistical production. Close relations with various levels of the administration of the policy making body is also said to facilitate administrative processing of various kinds of requests of statistics producers. Furthermore, access to administrative data sources is an important part of modern official statistics production and administrative proximity is said to facilitate such access. Finally, statistics production being part of the policy making body that is a major user of these statistics is seen as a necessary condition for producing statistics relevant to the work of government.

To the above propositions regarding the benefits of statistics offices being part of policy institutions one may juxtapose the following:

1. The head of the statistics office does not need to be part of the hierarchy of a policy making institution to have access to policy/decision makers. Such access can be possible and can take place in an appropriate manner by providing for it in the law. Access is more likely to take place at the appropriate level of propriety and respect for statistical independence when the statistical interlocutor is institutionally independent than when she is a subordinate and someone who “reports” in the hierarchy of the policy institution the statistics office is part of.
2. Accommodation of the appropriate interests and needs of official statistics production and protection from adverse legislative, budgetary and other policy developments would be best served with little risk of *quid-pro-quo* if it was provided for in law⁹ and the statistical office was not part of a policy making institution. The closeness and collegiality of civil servants within the policy making institution does not offer protection to statistical production from adverse legal/budgetary developments and administrative friction without also increasing “pressure risk” and “political attack risk”, which undermine independence and other statistical principles.
3. Appropriate access to expertise and information existing in the policy making institution does not have to go hand in hand with statistics being part of that institution. In any event, provision of expertise and information by a policy making body is more likely to increase the risk of the policy making/administrative perspective contaminating the statistical approach when the statistics office is part of a policy making institution. Official statistics production should and could have its own expertise in areas where it traditionally needs it and not be dependent on expertise existing in policy bodies.
4. Effective access to administrative data sources does not have to be mediated by the statistics office being part of a policy making body. Access to administrative data sources is best achieved and, actually, statistical confidentiality best preserved when access to such data sources is provided for in law and the statistics office is not part of a policy making body.

⁹ For example, by providing in law for the critical and transparent role of statistical producers in the legislation process of laws with implications for statistical production and in the process of legislating or of deciding on budgetary support for statistical production.

5. It is not necessary for official statistics production to be part of policy making bodies in order to have a very attentive and responsive attitude of official statisticians towards the statistical needs of these policy bodies. Policy makers and their administrations do not need to have immediate physical and institutional access to official statisticians in order for the latter to be fully aware and attentive to these important users' needs; the proper catering for such needs through appropriate arrangements can be provided for in law.¹⁰ The risks that user requests for "what" statistics are produced get mixed up with conversations about "how" the statistics should be produced and "what outcome" the statistics should record, are greater when the statistics office is part of a policy making body rather than outside it.

One argument that is usually offered in arguing that the cost of statistical offices being part of policy making bodies is minimal is that the professional independence of official statistics production even in this institutional setup is secured through safeguards. Such safeguards may include: (i) provisions in law for the implementation of statistical principles in the national statistical system; (ii) policy commitments of governments to support confidence in official statistics; (iii) national institutions with the mandate to report on the implementation of statistical principles; (iv) provisions in law for the selection, term, and termination of the head of the statistics office; (v) quality assurance of statistical output by supranational entities; (iv) review of the implementation of statistical principles by supranational entities and processes.

First, it should be noted that such safeguards are not actually in place in most countries and for all official statistics producers in national statistical systems. Second, any safeguards actually in place are often not in an appropriate and strong form. Finally and very importantly, while these safeguards can help reduce the risks, they do not do so to the degree to which these risks would be reduced if statistical offices were not part of policy making institutions.

Another argument that is usually offered (in the case of certain countries or institutions) in arguing that the cost of statistical offices being part of policy making bodies is minimal is that there has been a benign and benevolent environment in which official statistics production has taken place and risks such as "pressure risk" and "political attack risk" do not and cannot materialize.

Surely having a benign environment and a benevolent approach by policy makers and politicians from across the spectrum towards official statistics is desirable and gratifying when it happens. However it is not the solid foundation on which to build statistical independence for the long run. In some way the argument of the previous paragraph is akin to the argument that "there is no need for a judiciary separate from the sovereign because this king has traditionally been a benevolent and fair king in administering justice." In addition, history shows that even in countries with well-developed institutions (checks and balances) and a generally good statistical culture inside and outside the statistical perimeter, challenges to official statistics production and problems with adherence to statistical principles have occurred from time to time, and there is no reason to believe that at some point they will not re-emerge. [7] Thus a society needs to be ready for these moments and

¹⁰ For example, advisory user committees, user conferences, specialized user groups, and periodic as well as ad hoc consultations with users.

has to take steps to decrease the probability that the challenges and problems (i) will arise in any given period and (ii) will be severe when they inevitably arise. These steps must include putting in place a proper **institutional environment/basis** of official statistics production.

“Preparing for the worst, while hoping for the best” should be the general principle behind all the choices regarding the appropriate institutional setting for official statistics production. In accordance with this principle, the specific institutional issue of statistical offices as part of policy making institutions should be decided upon with a view to preparing for all eventualities, even if the environment appears to be and has been benign for a while.

Official statistics production as part of policy making bodies is a “legacy” institutional setup with many risks and costs and at best ambivalent benefits. What’s more, the idea that statistical offices should be part of policy making bodies is an anachronism; it belongs to another era, as to another era belongs the idea that the exercise of judicial powers can be appropriately and sustainably carried out by the sovereign or by a judge in the court of the sovereign.

In conclusion, from a comparison of costs and benefits, we believe that the costs of statistics offices being part of policy making bodies outweigh any benefits, and it is more effective and appropriate to extract statistical offices from policy bodies.

4. The end of the road or a step on a long road?

As argued in section 2 above, institutional independence of official statistics production is a basic condition of existence for the long term robustness and sustainability of professional independence and of other fundamental statistical principles. Statistical offices or bureaus not being part of policymaking institutions is only one step towards attaining the needed institutional independence. [2] Thus, the extraction of statistical offices from policy making bodies is just one step in a long process.

Put differently, having statistical offices extracted from policy making institutions is no guarantee that risks will not materialize or that a sizeable share of the public will not perceive such risks. Risks and the perception of risks might materialize, but *ceteris paribus* they would materialize with a lower probability than when the statistics office is part of a policy making body. Further steps would need to be taken to decrease this probability further—the full institutional independence of official statistics production along with safeguards such as those mentioned in section 3 above.

5. Conclusions

We have argued that the importance of official statistics is increasing not only for effective and rational government operations and policies—its original use—but also for the efficient functioning of domestic and international markets, international collaboration and cooperation, scientific and technological progress, and for the functioning of the democratic system. Official statistics is a public good whose reliability, credibility and overall quality should be safeguarded and buttressed.

We have noted that it is very often the case that statistical offices or bureaus, which are entrusted with the production of official statistics of a country, are part of policy making

institutions, and it should give pause that the work and performance of these policy institutions and the politicians heading them are being assessed to a large extent on the basis of the statistics produced by the statistics offices embedded in these institutions.

We have argued that the system of statistical offices or bureaus being part of policy making bodies is a “legacy” institutional setup that increases the risks for the implementation of professional independence and other international statistical principles during the production of official statistics by such offices. Risks, such as “pressure risk” and “political attack risk”, *ceteris paribus* increase as they are mediated and amplified by hierarchical, administrative and resource dependencies of official statistics production on the policy making body the statistics office is part of. Higher risks means higher costs.

We have pointed out that the status quo of statistical offices as part of policy making institutions cannot continue to be taken for granted, but needs to be checked for its optimality through a juxtaposition of benefits and costs. From such a juxtaposition we concluded that costs outweigh any benefits from a statistics office or bureau being part of a policy making institution, and it would be more effective and appropriate to extract the statistical offices from policy making bodies.

We have noted that extracting statistical offices from policy making institutions does not mean that risks or their perception will disappear, but that they would materialize with a lower probability. Additional steps would need to be taken to decrease this probability further—full institutional independence of official statistics production along with other safeguards. Extracting statistical offices from policy making institutions is however one necessary step on the road to buttress the long term robustness and sustainability of professional independence and of other fundamental statistical principles.

We have argued that extracting statistical offices from policy making bodies is in the best interest of official statistical producers and, more importantly, it is in the best interest of the very wide variety of users of official statistics in modern societies, including among them policy makers and political leaders.

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