

## Letter to the Editor

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

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 (Georgiou 2017) whose reliability and overall quality should be safeguarded and buttressed.

In a number of countries, statistical offices or bureaus that are entrusted with the production of the official statistics of the country, are part of policy-making institutions. Thus, as the United Nations Statistics Division notes on the basis of its latest global survey on the implementation of UN Fundamental Principles of Statistics (UNFP): “Some national statistical offices have a high degree of administrative independence, others are actually part of a ministry” (UNSD 2013). It should give us pause that the work and performance of these policy institutions and the politicians heading them are assessed, to a large extent, on the basis of the statistics produced by the statistical offices embedded in these institutions. This institutional setup increases risks to the implementation of statistical principles, including the principles of professional independence, impartiality and objectivity, and statistical confidentiality. Dependencies and conflicts of interest are inherent in this setup. 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 policy makers and political leaders.

#### 1. 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, including 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 to circumvent statistical principles, either from outside the statistical perimeter (i.e., from persons/entities

that are users of official statistics such as policy makers, legislators, politicians, civil servants/administrators, market participants, academic researchers and the general public, or from upstream data providers (Georgiou 2018) or in the form of self-censorship.

- 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-censorship risk” is the risk of pressure official statisticians may feel to engage in self-censorship and modify their statistical behavior without having received overt external pressure. They engage in self-censorship 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.
- (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 by those that carry it out on the basis of allegations that official statisticians have succumbed to external pressure risk and self-censorship risk, or more generally that statisticians did not produce reliable and high quality statistics with independence, impartiality and objectivity.

All other things being equal, the above risks increase when statistical offices or bureaus are part of policy-making bodies and the official statistics producers report to the policy-making hierarchy.

The general argument 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 statistics production (Georgiou 2018). 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.

**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) carry out their compilation of statistics 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. The definition of professional independence of official statistics offered here is informed by formulations of professionally independent behavior found in the European Statistics Code of Practice (Eurostat 2011) and in the ISI Declaration on Professional Ethics (International Statistical Institute 2010). **Institutional independence** of official statistics production is when the latter is independent from the executive, legislative or judicial branches of government.

The distinction between institutional independence and professional independence in official statistics is akin to the distinction between institutional independence and decisional independence in the case of the judiciary (Georgiou 2018). The judiciary's institutional independence (Lord Phillips 2011) is widely perceived to be a fundamental condition for its decisional independence. Similarly, the institutional independence of official statistics production should be seen as a fundamental condition of professional independence in official statistics production.

The specific argument underlying the thesis presented here 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) that the statistical office is part of. Some of the aspects of such dependencies are listed below:

- Hierarchical/authority/accountability relationships of officials in the statistical office with officials in the policy-making body,
- Conflation or amalgamation of any of the individual administrative and budgetary functions of the statistical 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 statistical office,
- Physical proximity/cohabitation of the statistical office with the policy-making body,
- Control of the selection, appointment, reappointment, remuneration and termination of the incumbency of the head of the statistical office by the policy-making body,
- Officials of the statistical office carrying out nonstatistical 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 statistical office to the nonstatistical parts of policy-making institutions.

A number of these dependencies create or amplify conflicts of interest. The troubling role that conflicts of interest play in creating deep ethical dilemmas for various professions (e.g., accountants) has been recognized in behavioral economics (Ariely 2010).

## **2. Costs and Benefits of Statistical Offices as Part of Policy-Making Bodies**

It is often argued that there are significant benefits of statistical offices being part of policy-making institutions. To make a rational choice on whether to extract statistical offices from policy-making bodies or leave them as they are, one would have to consider the costs and benefits of the two alternatives (Georgiou 2018).

The costs to statistics being part of a policy-making body are the costs of (i) the above listed risks materializing, (ii) the perception that the risks exist, 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 to which they belong) of managing and mitigating the risks and the perception of these risks, all other things being equal, would be higher than when the statistical office is independent. The costs of effective supervision/checking of official statistics would also be higher. Furthermore, the costs (to the economy/society) 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 official statistics production takes place outside policy-making bodies.

Arguments for the benefits of statistical offices being part of policy-making institutions could include the following:

1. There is “access” to policy/decision makers that the head of the statistical 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 serve the interests of statistics production (e.g., by protecting statistics production from various adverse legislative, budgetary and other policy developments).
2. There is 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 various adverse developments mentioned above, as well as provide for human capital support in areas within statistics production.
3. Close relations with various levels of the administration of the policy-making body are also thought to facilitate administrative processing of various kinds of requests of statistics producers.
4. Access to administrative data sources is an important part of modern official statistics production and administrative proximity is supposed to facilitate such access.
5. Statistics production being part of a 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 statistical offices being part of policy-making institutions, one may juxtapose the following:

1. The head of the statistical 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/he is a subordinate and “reports” in the hierarchy of the policy-making institution that the statistics office is part of and is thus subject to clear conflicts of interest.

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 law (for example, by providing in law for the role of statistics producers in the preparation of laws, including budgetary appropriations, with implications for statistical production) 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 – through, for instance, real and perceived conflicts of interest – “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 (again via conflicts of interest) the statistical approach when the statistical 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-making bodies.
4. Effective access to administrative data sources does not have to be mediated by the statistical 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 statistical office is not part of a policy-making body.
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 by official statisticians towards the statistical needs of these policy-making 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 of and attentive to these important users’ needs; the proper catering for such needs through appropriate arrangements (e.g., advisory user committees, user conferences, specialized user groups, and periodic, as well as ad hoc consultations with users) can be provided for in law. The risks are greater that user requests for “what” statistics are produced will get mixed up with conversations about “how” the statistics should be produced and “what outcome” the statistics should record when the statistical office is part of a policy-making body rather than outside it.

An argument 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) publicized 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, fixed term, and termination of the incumbency of the head of the statistical office; (v) quality assurance of statistical output by supranational entities; and (vi) review of the implementation of statistical principles by supranational entities and processes.

First, it should be noted that such a set of safeguards is actually far from being in place in all countries and for all official statistics producers in national statistical systems. Second, any safeguards actually in place are often not in an appropriate, strong and effective form. This much can be gleaned even from the fragmentary information provided in the survey of the UNSD regarding the implementation of the UNFP (UNSD 2013). Moreover, a number of these safeguards are still, by and large, confined to and enabled in uncommonly strong regional partnerships of national statistical systems, such as in the European Union. Finally, there is evidence that very serious problems in the production of official statistics have occurred, even when such safeguards have been in place in some form. Greece's official statistics production leading up to the statistical crisis of 2009 (European Commission 2010) is just one example demonstrating the problems of the effectiveness of safeguards, even when such safeguards are actually in place.

Very importantly, while the above noted safeguards can help reduce the risks, the risks are not reduced to the degree that they would be if statistical offices were not part of policy-making institutions.

Another argument (in the case of certain countries or institutions) 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 towards official statistics by policy makers and politicians across the spectrum 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 (Seltzer 1994), and there is no reason to believe that at some point they will not re-emerge. Thus a society needs to be ready for these moments and 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 and robust **institutional environment/basis** of official statistics production.

"Preparing for the worst, while hoping for the best" should be the general principle behind all 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 benign and has been benign for a while, because the environment can change and do so rapidly.

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 does the idea that the exercise of judicial powers can be appropriately and sustainably carried out by the sovereign himself or by a judge in the court of the sovereign.

In conclusion, in a comparison of costs and benefits, we believe that the costs of statistical offices being part of policy-making bodies outweigh any benefits, and it is more effective and appropriate to extract statistical offices from policy-making bodies. However, extracting statistical offices from policy-making institutions does not mean that risks or a perception of risks will disappear, but only 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. Such steps would minimize dependencies and conflicts of interest and mitigate to the largest extent the effects of any remaining dependencies and conflicts of interest. This, in turn, would minimize the probability of risks materializing for statistics production. Meanwhile, extracting statistical offices from policy-making institutions is one first necessary step that has to be taken on the road to buttressing the long-term robustness and sustainability of professional independence and other fundamental statistical principles.

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