

## VIII. INTANGIBLES ASSETS

355. Chapter VIII examines the non-staff assets of a statistical agency: its laws, policies and traditions; its prestige; and its credibility in the eyes of the public. Also covered are its policies, registers, frameworks and nomenclatures.

### A. The stamp of quality

356. A statistical agency must attach its stamp of quality to what it does. For this to happen, this stamp must be recognized (see chapter II, section A.3). The situation is similar to that faced by the producer of a marketable product who wishes to differentiate the product from its competitors by instant recognition, assuming that the instant recognition is associated with sound construction, attentive service and durability. The difference is that with few exceptions statistical agencies are monopolistic producers of figures; the figures (at least the general aggregates) are freely accessible to the public; and the statistical production process cannot be replicated by the majority of users.

357. A statistical agency's stock in trade is the recognition of its name and the unimpeachability of the attributes associated with that name. Thus, the agency must be perceived to have the legal basis to intrude on the privacy of individuals, enterprises and institutions; the integrity not to part under any circumstances with the individual information it collects in the course of its activities; the competence to use that information in order to derive the best possible estimates of aggregate measures; and the sense of responsibility to ensure that those measures are useful to the Government and to the public at large. These attributes stem from pride and respect for the agency image, and sufficient legal competence to ensure that the agency works well within lawful boundaries.

358. In its administration, the statistical agency should strive to make this posture universal among its staff. In order to maintain their public image, larger agencies may even wish to devote a department to liaising with the media and reviewing their reports.

### B. The force of law

359. A favourable image is necessary to the functioning of a statistical agency, but insufficient by itself. Oftentimes, a statistical agency demands, not merely once, but on an ongoing basis, that respondents tolerate intrusions into their privacy and comply with its requests for information. When the same access is desired by private agencies (e.g., those engaged in marketing), the cooperation of respondents is purchased or otherwise remunerated, and in any case is typically inferior to the level that statistical agencies judge to be acceptable. Government agencies tend to operate by invoking the efficient working of Government and of the community as reasons to elicit information, but this presupposes a legal basis.

360. The law has to define clearly why certain classes of information are required, what guarantees are offered by the statistical agency regarding how individual records are protected, and what penalties might be incurred by respondents who fail to provide truthful and timely information (see chapter XII for a broader discussion on the type of protection that is typically afforded to respondents).

361. As indicated above, a statistical agency needs to ensure that it has both a sound legal basis and the right image, with respondents and users alike.

### C. Policies

362. A statistical agency may need to consider a number of questions concerning the use of its assets: for example, who in a statistical agency answers a telephone call from the prime minister's office? Who is responsible for meeting the press the day the CPI is released? Should an academic doing research on the premises be allowed access to microdata, provided it is anonymous?

363. Such questions, while frequently posed, are not always answered consistently, or else consistency is more a matter of habit than any actual policy. In some instances, however, various practices and traditions have been codified and brought together in one policy manual. Usually such an exercise has two objectives: to provide a standard of practices, thereby increasing consistency; and in the process, examine the wisdom and propriety of such practices.

364. The task of maintaining policies, making staff aware of their existence and ensuring compliance is a thankless one that usually earns the incumbent (if there is one) frosty relations with the rest of the organization. However, if policies are not enforced, individual agencies will revert to old habits, weakening any possibility of continuity or consistency. It follows that this responsibility should be assigned to a trusted official, who discusses the matter with senior officers at appropriate intervals so that they are kept abreast of goings-on within the agency and ensures that policies are revised if necessary.

#### **Box 12. Benefits of codified policies**

The existence of a code of policies has several beneficial effects. In situations where there is a high turnover of staff, the statistical agency may be subject to ongoing pressure from outside organizations for special concessions, such as waiving of fees for services, early access to new statistical information or access to material that under normal circumstances would be regarded as confidential. If there is no relevant documentation to bolster the refusal of such requests, and there exists a precedent of inconsistent reactions, institutional resistance to improper requests is weakened overall. Furthermore, the discomfort involved in appearing to be negative is considerably lessened if the agency can show that it reviewed a particular situation, decided on a course of action, and stood firm on the matter by ensuring that all its staff are aware of the recommended guidelines. The position of an agency is strengthened even further if it can show not only that the stated policy is adhered to but also that it happens to be a matter on which other agencies worldwide have come to similar conclusions. Lastly, its public image is considerably strengthened if a spokesperson for the agency can show that there are written policies covering the particular matter being challenged.

365. As interests and concerns evolve in an unpredictable fashion, a statistical agency should maintain a store of available information on a wide variety of topics. It is incomparably better to ensure that information is interrelated and, when it encompasses different attributes of what is hypothetically the same population, that the population in question is defined and measured in the same way. For example, it is far better to analyse net business formation with the knowledge that industry statistics apply to the same population than to make tentative adjustments for a different scope. Whereas in the latter instance, energies are dissipated in trying to explain what the data show or fail to show in spite of statistical discrepancies, in the former, analysis may proceed at once. However, it should be kept in mind that the design and upkeep of the special tools required for this kind of integration constitute yet another element in the statistical production process, with its own set of organizational implications. The sections below introduce a class of tools that serve as integrating tools. That is, they integrate information and/or integrate the functions of the agency itself.

#### D. Registers

366. The 1980 *Handbook* (chapter XIII) has a special section on registers, with particular emphasis on business registers, but information about the appropriate location for these in the organization of the statistical agency is limited.

367. The reasons are not difficult to fathom: at the time, the introduction of business registers in the production process was a novelty. It was made possible by two sets of circumstances: (a) some statistical agencies were granted access to a computerized store of administrative information (in this case, information derived from tax records); and (b) largely as a result of the introduction of database techniques, statistical agencies discovered that the computer could be used for other massive processing jobs besides international trade statistics or the census of population.

368. Today, the notion that a statistical agency must have a business register, a register of household addresses, a catalogue of location codes and possibly a number of specialized registers (e.g., a farm register or a register of ocean-going vessels) is commonplace. Therefore there is little need to describe the contents of such registers or why they are required. It is, however, necessary to consider how they should be managed and where in the agency they should be located.

369. There are various points of view. One holds that the business register should be located within the division of the agency in charge of economic statistics and that the household address register should be in the part of the agency in charge of social statistics. According to this notion, the specialized registers should be managed by those who make the most use of them (e.g., the farm register with agricultural statistics, and the vessel register with maritime transport and foreign trade statistics). Another view places registers in a central unit within the statistical agency, where it can be shown that their maintenance is an agency-wide service. Each method has its advantages and disadvantages, and these should be known in advance.

370. In a hypothetical case, assume that the division in charge of business or economic statistics consists of half a dozen units, each in charge of either an industry (such as manufacturing, mining, construction or business services) or a type of expenditure (such as exports, capital formation or consumer outlays). The decision to place the register at the very centre of the organization as a corporate asset or within the economic statistics division will depend a great deal on the organizational culture and is therefore outside the scope of this publication. However, if the register is to serve as an integrating device, it is important to keep the following in mind:

- Registers must be placed in a service unit;
- No single user organization is entitled to modify the contents of the register;
- The custodian of the register is ultimately responsible for its integrity, the classification assignments and the definition of the statistical unit.

371. When registers are looked upon as agency-wide assets, it is usually best if their respective custodians are dependent on an internal board, rather than exclusively on their hierarchical superiors. The composition of the board would include both supplier organizations (e.g., those responsible for the acquisition and deployment of tax and social security information) and user organizations (all whose surveys are based on the agency register files).

#### E. System of National Accounts

“The [system of] national accounts and balances represents an [integrated set] of standard concepts and classifications applicable to the most important macrodata of economic statistics and characterized by the fact that all concepts are interrelated within a system of definitional relations....They represent a useful frame for developing statistics, facilitating the identification of gaps and the setting of priorities in quantitative perspective....It is a great advantage for these integrating frameworks to be developed in the central statistical office of a centralized national statistical service or in the coordinating body of a decentralized statistical service....The units responsible for elaborating the national accounts and balances and similar integrating frameworks should be assigned a particularly important duty in regard to data improvement and integration”.<sup>75</sup>

372. The central role of the national accounts has become even more critical in today's statistical agencies, and its use in identifying weaknesses and gaps in basic statistics has grown clearer with the publication of the 1993 version of the system.<sup>76</sup> There is no other such widely accepted and powerful integrating tool for social and demographic statistics.

373. Management of the national accounts requires specialized skills and the closest of liaisons with key users. Moreover, the role of the economic accounts extends beyond the production of data on the condition of the economy at regular intervals. Part and parcel of the task of estimating the broad macroeconomic aggregates is the related task of taking

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<sup>75</sup> 1980 *Handbook*, p. 68.

<sup>76</sup> Commission of the European Communities, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations and World Bank, *System of National Accounts 1993* (United Nations publication, Sales No. E.94.XVII.4).

inventory and organizing the corresponding basic economic statistics. For cases in which a specialized agency is exclusively responsible for the economic accounts - the research department of the central bank, for example - it will have a central role in guiding the statistical system.

374. In some organizational models the unit responsible for the compilation of the national accounts is separate from its counterpart in charge of basic economic statistics. In this situation, when staff are reporting to different supervisors, it can be far more difficult to signal gaps, point out weaknesses and generally exercise leadership.

#### F. Central review and control of questionnaires

“Central review and control of questionnaires is essential to integration. The subject-matter divisions of a statistical agency should as a rule be responsible for the content of questionnaires and should work in cooperation with the functional units, especially those responsible for methodology, survey design and data processing.... Before a questionnaire is put to use, a central authority should ensure that certain requirements are satisfied as regards integration, efficient data processing, editing requirements, and obligations towards the data suppliers. First and foremost, it must be determined that the concepts and classifications applied conform to the standards established so that integration is facilitated”.<sup>77</sup>

375. These words are as relevant today as when they were first written. Moreover, to facilitate integration, the statistical agency should ensure that questionnaires are written in a language that respondents can easily understand, which minimizes response error accordingly. In larger agencies a specialized unit may be established as an agency-wide service, devoted to cognitive research and efficient questionnaire layout. Moreover, a unit devoted to these matters is ideally suited to conduct studies of equitable response burden.

#### G. Nomenclatures and classifications

“Unless concepts and classifications applying to several subject-matter areas of statistics are standardized within a coherent logical system, statistical data cannot be structured to meet the needs of users for aggregated data or for compatible information from various fields.... Standard definitions are needed for various items, for example urban population, illiteracy, wages received, industry, agricultural holdings, etc.... The general use of standard definitions is essential for compatibility of different data referring to the same subject.... Standards that are to enjoy general acceptance should be formulated in consultation with specialists in the respective fields. Technical committees are the most appropriate instruments for this work. ... The responsibility for implementation should rest with the chiefs of the subject-matter divisions; however, a separate central unit ... must monitor the implementation ... The uniform implementation and updating of the various classifications and the maintenance of coherence between them, require continuous attention and negotiation with the suppliers and users of the data. This is particularly important in countries undergoing rapid changes and economic development”.<sup>78</sup>

376. The organizational elements specified in the 1980 version of the *Handbook* are still required for effective coordination today. They consist of a central unit charged with the duty of promulgating standards and monitoring their implementation to ensure coherence within the system; a technical committee to iron out difficulties and

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<sup>77</sup> 1980 *Handbook*, p. 67.

<sup>78</sup> *Ibid.*, pp. 67-68.

ambiguities in implementation; and a negotiating mechanism to ensure that users and suppliers of data fully comprehend the standard. In the light of today's experience, the requirement for international comparability requires further attention. Political unions, customs unions, free trade areas, and the global character of foreign investment all require that statistics (and particularly socio-economic statistics) be expressed in the same language. A failure to use internationally comparable standards should be regarded as a deficiency in the organization of a statistical service. By the same token, the organizational elements required for the effective coordination of classifications, nomenclatures and concepts must include a division in charge of ensuring that what is adopted nationally is comparable with that adopted by other countries.

#### H. Finance

377. Clearly, a unit in charge of finance is necessary to the proper functioning of a statistical agency. It should not be set up merely as a unit in charge of bookkeeping, but rather as an analytical unit (upper management requires financial advice several times over the course of a year) and as a legal unit (there must be an in-house legislator capable of determining the permissibility of expenditures).<sup>79</sup>

378. The administrative unit in charge of finance has as its natural function the keeping of a logbook into which it enters cash and credit receipts and expenses. Registration and annotation of transactions will be conducted in compliance with local legislation, and by a method such that the results can satisfactorily pass inspection by the auditing services of the government.

379. One obvious function of the head of the financial unit is to make recommendations as to those expenses that are legally mandated. In addition, the director of finance should be the most significant source of advice with respect to proposed expenses that, while they appear to be reasonable, may not meet all legal restrictions.

380. Statistical agencies commonly run into situations in which owing to lack of financial foresight, expenses must be prematurely curtailed, without regard for the effects of such abrupt reductions. This is generally the case when, just prior to the end of a fiscal review, the head of financial administration realizes that certain obligations will not be met unless some sacrifice is made at once.

381. Sometimes it also happens that financial administrators find that at the end of a fiscal review the agency still possesses a considerable portion of its resources. In such a case, one might impulsively look for a way to spend them, so as not to arouse suspicion. However, arbitrary spending can be more pernicious than hurried measures to curtail expenditure, leading to poor managerial decisions and waste of the public treasury.

382. It follows that the chief statistician will require advance warning of expected gaps between expenditures and resources unless measures are taken well in advance and on the basis of solid preparation. To fulfil this requirement, the financial administration unit

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<sup>79</sup> In a number of countries there is no choice in this matter. The respective public service legislation demands that such a unit exist and assigns it specific financial and legal duties.

must have the information base and the analytical capacity to provide such advance warning.

383. No matter how small the agency, organization of the information base required to provide reliable estimates requires the help of all those with managerial responsibilities. Accordingly, the custom of taking part in financial forecasting and calculating rough but serviceable ideas on expenditures is one that should permeate the agency. In a number of offices it has been observed that that the quality of financial management goes up substantially if responsibilities and accountability are devolved.

### **Conclusions**

A statistical agency depends on a number of capital assets, some of which are intangible: classifications, lists of names and addresses, methodologies and policies determining proper procedure. Some assets, such as computers, are designed to achieve efficiency in agency operations, while others are created to promote the integration of agency products, such as the national accounts and other databases. However, the most important assets of a statistical agency are its people and the knowledge base that they represent.

It is important to keep all agency assets in the best possible condition. Therefore, successful human resource management is probably the key factor for any statistical agency's performance. However, other tangible and intangible assets also need continuous conceptual, technical and operational maintenance and, when the time comes, replacement. To achieve this, good management and effective organization are needed, as well as the necessary precautions, financial and intellectual, on order to renew assets when their condition demands it.