Keynote speech 2

Dr. Paul Cheung, Director, UN Statistics Division: Good morning. It is an honor for me to be invited by the Cabinet Office as well as the Japan Statistical Bureau to be here to give this keynote speech. I work for the UN, and this is the United Nations University (UNU), but this is first time that actually I have been to this premise. I am flattered. The UN has such a nice premise here in Tokyo; much better than our New York premises.

Prof. Takeuchi has just now outlined to you the plans for the Statistical Commission, and also his vision for the future. He mentioned the fundamental dilemma between continuity and change. Indeed, the Japan statistical system has been going on for sixty years, and this is a major change that you have a new act enacted this year, and now the Statistical Commission has been put in place to chart the future. Hopefully not for another sixty years.

This continuity and change is extremely important. How do the national statistics evolve? On the one hand, there is a lot of tradition in how a society manages its information system. How do you build up your registration system? How do you build up a system of collecting information? At the same time, you need to adapt to changing environments and changing practices. So, I can sense from Prof. Takeuchi's speech and also from my discussion with other professionals that there is a lot of hope being placed in this new act and this new change, this new formulation of the Japan statistical system. And I understand that the momentum for this act to get enacted started some three years ago, and there was quite a bit of discussion started from the Yoshikawa Committee. In this context, I would like to take this opportunity to congratulate all the people who have been involved in this whole process. It is a very important process. In dealing with this continuity and change, yet you are able to preserve the tradition and yet bring about a new direction for the Japan statistical system. So I congratulate those people who have been actively involved. I would also like to congratulate Prof. Takeuchi for his appointment to the post of the Chair of the Japan Statistical Commission. He understands that he has many challenges ahead, being on top of this controlling tower. And I understand he also just retired from his teaching post and now he is getting a whole new job for himself.

In 1947, when Japan had its first Statistics Act promulgated and beginning the new statistical year, in the same year, in New York, the United Nations Statistical Commission was formed. So it is actually 60 years of coexistence. In March 2007, the UN Statistical Commission celebrated its 60th anniversary. As you know, the Commission's mission is to build up the global statistical system. When the Commission first met in 1947, the Commission was very concerned about the need for professionalism in national statistical offices around the world. Also, the need for the development of internationally comparable

statistical methodologies to guide the work of the global statistical system. But 60 years onward, in 2007, when we celebrated this anniversary, we can see now that there is a global statistical system being stitched together to all the various international activities. One of the most fundamental, important achievements for the Commission is to pass the adoption of the Fundamental Principles of Official Statistics. This is the first set of values and ethics that guide the official statisticians around the world. This was done in 1994. At the same time, the Commission also passed many methodological guidelines and standards. The SNA, the one that we know, that is so very important, has evolved as an accounting framework for all the macroeconomic statistics. The price indices and all the performance indices for various sectors, all the methodology and standards have been approved by the Commission.

When we celebrated the 60th anniversary of the Commission, we organized many other commemorative events. One of the events was a seminar on the evolution of national statistical systems. If over 60 years the Commission had been building this global statistical system along with the national statistical offices, it would be interesting at that time to see how the national statistical offices have evolved over the same period. So we organized a one-day seminar, and over 130 countries were there to reflect on the changes. That is what Prof. Takeuchi mentioned. Is it continuity or is it change over this period of time? Japan was represented in the seminar by Prof. Ourei, who was a former vice-minister from the Ministry of Internal Affairs and Communication. The Seminar was chaired by Ms. Katherine Wallman, who is right here in front of us. She was at that time just finishing up her duties as a Chair of the Statistical Commission. The proceedings of this particular seminar are published as a special journal in the Journal of International Association for Official Statistics. So all the articles are inside here.

Now, drawing on the discussion of the seminar, I would like to today in this short period of time focus on three major aspects. I would like to also, by mentioning this, venture to make some remarks on the relevance of these three aspects with respect to the Japan statistical system. I do not know the Japan statistical system well enough, but I will venture this set of suggestions. I hope that if I am not correct, you will let me know.

The first element is the development of professionalism in official statistics. As I mentioned earlier, when the Commission was first started in 1947 the concern was how to build up professional statistical work in all the countries after the Second World War. We know that in order to anchor professionalism in the national statistical systems, we need to develop a specialized cadre of well-trained, professional statisticians to be at the core of the system, and who would not only have the specialized methodology, but would also have the values and ethics of objectivity and neutrality in the system. The national statistical system must also strive to recruit these kinds of professionals, and also to retain them in the system by providing appropriate opportunities for their career development.

This is critical for the success and for the survival of the national statistical system.

Why are they important? Firstly, on the knowledge part, we all know that the various topics that official statistics deal with now concern complex subject matters which now require specialized knowledge. So the retention of knowledgeable staff becomes important. It is really critical to build up this knowledge base in the organizations that we work with. For example, the compilation of national accounts, the manual of the national accounting statistics. Now we are in the process of revising it. The system of national accounts is getting more and more complicated and requires a specialized knowledge. You can not just put someone fresh from University or professors somewhere and say, “Now you do the national accounts.” It takes time and it takes effort to learn the intricacies of national accounts.

Let us talk about consumer price indices, and let us talk about indexes for industrial production, indexes for retail sales and also other socio-economic measurements, the measurement of income inequalities and other household income distributions. You require a certain period of time to stay in the job and to be able to achieve a certain proficiency in terms compilation, and more importantly in terms of analysis. If you do not know the method, you cannot analyze. If you do not know compilation methodology, you do not know the analysis, then you will not be able to advise how to improve the methodology in the future. So professional official statisticians now become extremely important knowledge workers in their area of specialization.

The second factor, as I mentioned earlier, is the fact that official statistics are often used in public, political debate. So it is really critical that the statisticians adhere strictly to the professional standards and ethics of objectivity and neutrality. Again, it takes time for us to acquire these values. These values are being brainwashed into us for those who are working in the statistical offices, that we must always maintain this objectivity and impartiality. The recruitment and retention of the professional staff is now being regarded as a key success factor in the national statistical system. Recently, the European statistical offices, coordinated and managed by the EUROSTAT, started a project on the peer review of the statistical offices. Professional independence, quality assurance frameworks and human resources are key factors in the assessment. In other words, it goes to show how important it is if we put the element of professionalism in the success of the national statistical office.

Countries have adopted different ways of solving this problem. In some countries, the statisticians are recruited under what we call a government statistical service. This is particularly popular in decentralized systems. This is a central service headed by a chief statistician who will manage the recruitment and deployment of staff in different statistical units. One feature of a centralized service is that you can provide the staff with appropriate mobility and advancement opportunities. You are able to

provide training to the staff, and then you can also help to retain the staff by adjusting the service conditions. I think later on, we will hear from our friend from the UK, Michael Hughes. He will be elaborating on this.

Government statistical services are particularly useful for a decentralized system. In centralized statistical offices, the development of professionalism is generally easier, as the organization itself is taken as a corporate entity. The moment you enter, you are able to groom them and provide them with appropriate career development paths. Very often, the statistical offices will try to do that. An example of this of course is Statistics Finland, which has just been voted by all the Finland government offices as the best public organization in Finland as the best developer of work community, in the sense that they are the best in the promotion of occupational well-being and the management of human resources. It goes to show the importance that certain statistical offices will put in the management of the human resources.

I am not too familiar with the Japanese system of human resource management. I am aware that there is a so-called administrative service that all the senior civil servants in Japan belong to. Because of this, they are subject to rotation from one post to another. While this could be an interesting and enriching experience for an individual, it almost inevitably implies a loss of valuable experience and expertise in the various fields of official statistics. I remember one time, one of the staff had just finished conducting the 2000 census, and he did a very good job. He was really enjoying the knowledge of doing a census, but the moment he finished the 2000 census he was posted to become an administrator in another organization. He was completely taken away from a professional job and put in a non-professional job as a general administrator. This kind of a rotation I must say has a very strong negative impact on the system, and results in a very severe drain of experienced statisticians. Very often, newly rotated staff coming in to the job have to learn the new tricks of the trade and the new tools. It takes them a long time to build up a certain level of professional credibility to the public. Also, there will be a loss of role models for the younger statisticians.

I have mentioned in my previous speeches in Japan that the Japanese Statistical System lacks a human face that we can identify with when we look in from the outside. This may be this is because all the experts who have built up a certain level of credibility may somehow, sometime be rotated to do some non-statistical jobs. I believe that it is extremely important for the Japan Statistical Commission, in your discussion of the master plan, to consider the issue of recruiting and retaining a pool of permanent professional statisticians to be the core staff of your statistical offices. So, no more rotations. The role of a chief statistician should be quickly established and be held accountable to the development of this profession. I would also add that the current practice around the world of having a chief statistician

being concurrently the head of the central statistical office is an idea worth considering in Japan.

Before, I was in a preparatory meeting yesterday, and I met a young gentleman. He said he met me a few years back in some official statistics meeting. I said, “Very good. Then how are you doing? In between what have you been doing?” He said, “Well, I was rotated to do personnel work,” and then he just moved back to the statistical system. So, I hope he is very good statistician and is also a very good personnel officer, but I am not sure how the two sets of skills will interface with each other. It goes to show, the fact that the professionalism requires time and requires development of a core of professional staff in a national statistical office.

I will now talk about a second point, the development of a national data management system. Again, over time, as you heard from Prof. Takeuchi, how when you first started in the Japan system there was a lot of emphasis on surveys and the direct collection of data. This is true not only in Japan but around the world. In the 1950s, the development of modern sampling theory, the emphasis has always been how to collect good data from the population using a sample survey. That has been predominantly the focus. But over time, while surveys are still a very important, countries are experiencing greater difficulties, as we heard from Prof. Takeuchi. But we also over this period see a very rapid increase in government administrative data systems, because of the administrative functions that the government performs, and because of the advancement in IT they are able to build up this administrative data systems. There is a clear trend over this period of moving away from direct data collection to the use of administrative data sources in the compilation of official statistics.

Associated with this trend is also an important change in the philosophy of how we manage our statistical services: we are now more focused on the output, and less concerned about the sources of data. It does not really have to be from the surveys when you call it official statistics; it could be from any of the sources. It is the output that is important.

In addition, when we recruit the staff into the National Statistical Office, we no longer only recruit staff who are good in doing sample surveys. We are also looking for staff who know how to manage databases and manage the data flows from various data streams coming in. So the skill sets that we are looking for have also undergone a transformation. In some countries, notably the Nordic countries, administrative sources have become just as important—if not more—as the traditional surveys.

There is a clear understanding that administrative sources can never replace direct data collection, because surveys and censuses give you a direct control on what kind of data items you can collect. Administrative sources such as tax records, population registers, pension registers, health insurance and motor vehicle registers offer a wealth of information. Through innovative data aggregation,

compiling the data together, or the pooling of data sets, you are able to get insights into the social, economic and environmental trends. So, data aggregation combining data from multiple data sets goes beyond just to build up what we call a sample frame is far more than just building up a sampling frame. It is using information from administrative systems for data compilation in a variety of fields and for a variety of purposes. But to use the administrative data effectively, you must have a conducive environment with an appropriate legal framework and with enlightened policies, so that you allow the data to flow through across the ministries or the administrative units.

This data environment is important. It requires a data management system to be put in place to allow that to happen, and to take advantage of the information technology. Many countries have already moved ahead in this. Many countries have already stopped doing the traditional census. They stopped doing the population census. They used the population register, combined with data sources from other registers and then to come out with what we call a virtual census. Many countries have also stopped doing economic census, because now we have developed a very good business register, and though an efficient sampling system you are able to get the information of the economic or the enterprises without going to the trouble of doing a complete economic census.

All these are critical developments. Now, to take full advantage of data pooling, data aggregation, you also need the organization to back this up. This also argues for the fact that you need a stronger, larger statistical office in order to do all this work. A smaller statistical unit would be constrained not only by the professional but also by the organizational factors to take full advantage of data aggregation. I understand that Japan is now trying to build a business survey frame drawing data from multiple sources. This has been part of the Statistics Act and also the Commission is working on it. I hope that this initiative can be developed as soon as possible, and that this will lead to a fuller exploration of the other data sources for statistical compilation. I hope that, most important of all, in your master plan, as the Commission deliberates on the master plan, you would spend more time working out a data management system in which there must be more sharing of administrative data. The advantages of utilizing administrative data for official statistics are so great that it is almost imperative that your master plan can deal with this issue directly and give direction for this development in the future. It will bring a lot of benefits to the efficiency of the Japanese statistical system.

Finally, the third issue I want to touch on is the increasing emphasis on independence. Over the 60 years, as the countries reflect on the development, apart from the fact that increasingly they adopt a data management system in a country using administrative data, the professionalism, there is also an increasing emphasis on autonomy, on independence, and on neutrality. When we talk about autonomy, there are two types. One of course is organizational autonomy. Many statistical offices now have

become detached organizational units, fully independent, fully accountable for their own actions. Many times they will be answerable only to the parliament and not to any politicians or ministers.

We have two examples today in this audience. Brian Pink, the Australian statistician, will be talking about the Australian model. Also, the United Kingdom will be talking about their model of becoming autonomous agency. But not all the statistical offices are autonomous. Many of them are attached to a ministry, but it still possible within that context to have professional independence. In other words, they are professionally allowed to be not subjected to any political influence. Professional independence is critical, because it is extremely important to carry out our work with impartiality and with objectivity. In a democratic governance framework, the national statistical offices play a very critical information role. The neutrality function is extremely important, so that when we play this public information role, our credibility is protected.

While organizational autonomy and professional independence are both important dimensions, experiences around the world show that if you can have organizational autonomy, it will also help you to gain a larger degree of professional independence. So it is good to have organizational autonomy to the extent possible. Given the fact that larger, centralized statistical offices are more able to obtain greater autonomy, it also means that those offices are also able to exercise a stronger sense of professional independence.

I understand that neutrality is extremely important in Japan. I think this concept has been fully recognized. The question now is to what extend neutrality in a decentralized statistical system can be fully guaranteed and be safeguarded. Who is going to do the job of looking at the whole system, whether neutrality is being practiced or not? Is there such a person, or is there such an organization? At this time, from what I have seen, I do not think that Japan Statistical Commission would be in the position to perform this role to do the safeguard, nor the present coordinating mechanism, unless it is clearly provided in the legislation. This is an important issue to be looked at further in the master plan. Who is going to safeguard the neutrality of all the statistical units within the Japanese statistical system?

Let me just conclude by saying a few things. At this critical juncture, the Japan Statistical Commission and the statistical units are now looking forward and working on the master plan, or concept plan. I hope those three points I mentioned will be taken into consideration. Let me just make some personal remarks. I think the Japanese statistical system, as we look at it from outside, appears to be very fragmented. Creating a stronger center by pooling some units together I think is the logical solution to this fragmentation, as this center can provide professional and operational support to the smaller units.

At present, one of the largest national statistical office units in Japan, the Japan Statistical Bureau, has a staff less than 500 people. This is by no means a large statistical office by the international standard. This is far too small to enjoy the economies of scale in operational matters, especially to take full

advantage of information technology and other administration system improvements as I mentioned earlier on. I believe that there is an urgent need to build a stronger, larger core national statistical office in Japan so that you would be in a position to deal with the full range of social, economic, and environment statistics in an integrated manner.

Integration now is the key, and is probably the theme that will guide our work for the next 20 to 30 years. The UN Statistical Commission is now taking up this issue. In the coming meeting next year in February, there will be a special report on integrated economic statistics. Integration of economic statistics or integration of social and environmental statistics, all this integration requires the backing of an organizational structure. Therefore, it is important to see the present organizational arrangement in Japan's national statistical system. You back up this future trend of integration.

In the discussion leading to the approval of the new Statistics Act, many professionals have already worked on it. I hope that in the future the strong support given by the professionals can continue. With this, I wish Professor Takeuchi and his team in the Japan Statistical Commission all the luck and every success in steering this important process. Thank you very much.