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Impact of global crises on statistical systems

Lessons derived from the crisis for social statistics

Note by Eurostat

Summary

The crisis showed that several improvements in social statistics are necessary to better serve policy makers and other users of social statistics in the future. The paper suggests concrete solutions in the various domains of social statistics to better monitor the social impact of the crisis, to improve immediate response and to achieve better responsiveness in the future. The most important issues concern making better use of available data; improving the timeliness and frequency of existing data provision (surveys and administrative data collections); the collection of additional data/indicators; setting up new responsive monitoring tools; sharing processes, tools and good practices; strengthening dissemination and improving communication with users.

I. Introduction

A. Background

1. The past year has seen unprecedented pressure in Europe from a global economic crisis. This crisis started in August 2008 with the largest financial turmoil since 1929, followed by an economic recession, and subsequent dramatic effects on the labour market. December 2009 saw the highest unemployment rate in the Euro area in more than a decade (10%) and the most recent European Union (EU) forecast now predicts that unemployment among the 16 members of the Euro area will rise to a post-war record of 11% in 2010.

2. The young, the elderly, migrants and ethnic minorities, the low-skilled and those with temporary contracts are the ones most affected by the economic downturn and the increase of unemployment. Income of households falls and the risk of poverty is growing. Social cohesion is under threat.

3. The EU and Member States reacted promptly. In the first place, in taking action to prevent a meltdown in the financial market in autumn 2008, and then, in agreeing, in December 2008, to put in place a European Economic Recovery Plan (EERP) to arrest the pace of the downturn and create the conditions for an upturn. There are now signs that the great recession stalking the global economy has bottomed out; however, despite some positive signals in some countries, a lot of uncertainties remain.

4. This concerns, in particular, the social field, where the consequences do not become visible immediately, but only some time after the contraction in output, and usually persist after the recovery in production. Member States reacted to the social dimension of the crisis by taking measures in four main areas[1]:

(a) Labour market;

(b) Income support;

(c) Measures to mitigate the direct impact of the financial crisis on households;

(d) Investments in social and health infrastructure.

Member States are also considering ways to address the long-term impact that the crisis is expected to have on the major social security schemes.

B. The role of statistics in the crisis and post-crisis periods

5. Statistics can have two main roles in times of crises. First, statistical indicators can serve as "early warning systems" and, secondly, they can help monitor the consequences, evaluate the policy responses to the crisis, and assess exit strategies. For social statistics, the monitoring dimension is at the centre of interest. It is crucial to monitor social indicators on employment, unemployment, benefit dependency, and social expenditure or over-indebtedness and to put them in a broader context of the economic and public finance indicators and their own timeframes. This reflects also the 'lagging' nature of social phenomena during economic downturns.

[1] See the "Updated joint assessment by the Social Protection Committee and the European Commission of the social impact of the economic crisis and of policy responses ".

6. Many international and national statistical institutions emphasised the necessity of increasing the role of statistics. This is particularly true in the field of economic and financial statistics. For example, many measures already taken or to be implemented in the future were identified by the International Monetary Fund (IMF)[2] as well as discussed at various conferences- in particular during the 57th session of the International Statistical Institute held in Durban in august 2009[3].

7. In social statistics, the discussion on the impact of the crisis has started a bit later. It was initiated by Eurostat, and a first debate took place at the meeting of the European Directors of Social Statistics in September 2009.

8. Hence, this paper deals with the crisis-related issues addressed by social statisticians in the European Statistical System (ESS) since then. Against the backdrop of identified weaknesses, it makes proposals to improve the responsiveness of the information system in the social domain with a view to better meet the needs of policy makers and the public at large.

9. Moreover, it argues that the ability to react to the post-crisis situation and to implement actions to be better prepared for future crises depends on availability of timely and reliable data.

10. Strong statistical needs have been expressed by users in different domains: labour market (for instance, the need to know how labour markets absorb the shocks, how enterprises and individuals react and which groups in society are particularly affected by the increase of unemployment), income and social protection (for instance, the need to assess costs and effects of the social protection mechanisms; the consequences of the crisis for current and future pensioners, the evolution of the over-indebtedness level), migration (for instance, the need to assess whether intra-EU mobility for purposes of employment reduction, whether there will be a reduction of immigration from third countries for purposes of employment or whether there will be even a wave of return mobility from receiving to sending countries), health (for example, the need to evaluate the effect of the crisis on health inequalities or its effect of investments in social services infrastructure), education and training (for instance the need to assess the effect of the crisis on the early school leavers).

C. How to better respond in order to measure the social impact of the crisis?

11. While most sources are in principle already available or will become available soon, the lesson learnt from the crisis for social statistics is that, nevertheless, a number of actions are needed to better serve the users.

12. Hence, needs for improvement actions have been identified, notably through exchanges with users, and particularly with various services of the European Commission. The focus is, first, on rapid responses to enable a more rapid monitoring of the current and any future crisis. Beyond that, structural changes are needed. Indeed, while timely key infra-annual statistics are of absolute necessity in a crisis situation, there is also a need to assess the longer-term and profound effects of the crisis through more structural data.

[2] http://www.oecd.org/dataoecd/37/28/44507045.pdf

[3] Communication from the Commission to the Council and the European Parliament COM/2009/0433 - GDP and beyond : measuring progress in a changing world.

13. In a short- to medium-term perspective, actions concern different dimensions of responsiveness: timeliness, filling information gaps, and flexibility.

14. Various domains are concerned by the proposals. Actions to be undertaken have to be consistent with the re-engineering of the production system of the ESS initiated by the Commission Communication to the Council and the Parliament COM (2009) 404 on the production method of EU statistics, actions under the 'Gross Domestic Product (GDP) and beyond[4]/post-Stiglitz' initiatives and the Commission's new EU2020 strategy[5]. An integrated approach must be adopted and special attention will be paid to cross-cutting issues and increasing synergies by streamlining and strengthening linkages between different domains.

II. State of play

15. Strong points as well as needs for improvement have been identified, notably through exchanges with users.

A. Strong points of European social statistics

16. Topical information, relevant input for policy-making, is already provided to stakeholders and also more broadly disseminated to the general public.

17. For instance, in times of crisis, information needs by the public, the media and by those in charge of formulating and implementing appropriate policy responses are typically focused on high-frequency data as these catch the most recent developments. At European level, the labour market Principal European Economic Indicators (PEEIs) and the quarterly EU Labour Force Survey (LFS) are at the centre of the infra-annual part of the information system on the labour market. Monthly unemployment rates, quarterly employment (national accounts), quarterly job vacancy figures, and the quarterly labour cost index are the headline indicators. The continuous LFS provides quarterly micro-data sets that enable topical short-term analysis to be carried out. The wide range of LFS variables covers not only the employed and the unemployed with all their characteristics, but also those on the margins of the labour market. Furthermore, they make it possible to describe individuals as well as their role in a household context. Press releases for the PEEI, quarterly Statistics in Focus with key LFS indicators are well-established dissemination tools which make available the most recent data.

18. The data collected within the ESS are of very good quality.

19. In most areas, solid legal bases exist or their consolidation/implementation is ongoing; they provide the basis for data collection and transmission by all Member States according to predefined timetables.

20. Administrative data are increasingly used (e.g. the European system of integrated social protection statistics (ESSPROS) for gross expenditure and receipts and pensions' beneficiaries, input data for the System of Health Accounts for reporting of health expenditures).

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[4] Communication from the Commission to the Council and the European Parliament COM/2009/0433 - GDP and beyond : measuring progress in a changing world.

[5] As proposed in the Commission Communication COM(2010) 2020 "EUROPE 2020, a strategy for smart, sustainable and inclusive growth".

B. Needs for improvement

21. Firstly, there is a necessity to make better use of available data (the lack of focused and topical publications is recognised). Efforts should be made to analyse in particular the impact of the crisis on specific population groups such as the children, the young, the elderly, the migrants, or low-skilled workers. Better dissemination of data and improved communication are also extremely important.

22. Secondly, there is a requirement concerning all dimensions of responsiveness: timeliness has to be improved, information gaps are to be filled, and flexibility has to be improved.

23. In periods of crisis, the need for a timely monitoring of the social situation at EU and national levels increases considerably. The major difficulty in following the impact of the crisis in the social area is linked to the timeliness of the delivery of the data to the public. The overall processing time by National Statistical Institutes (NSIs) and Eurostat is often perceived by users as being too long. Even in normal circumstances, time lags of 2 to 3 years for annual data are considered unacceptable. For instance, users point out that the usual common indicators in the area of income, poverty and social protection are quite outdated in a context of rapid changes (as an example, in the Joint Social Protection and Social Inclusion (JSISP) report available for the March 2009 Council, ESSPROS data and data from the survey on income and living conditions of the year 2006 were released). In many areas, solutions must be found to release the data more rapidly.

24. Information gaps are to be filled: some areas are better covered than others for which substantial needs still exist. The crisis has also highlighted new needs. For instance, the need to collect data on beneficiaries of minimum income has been expressed in the context of the crisis.

25. Flexibility has to be improved: the lack of a mechanism for rapid ESS response has been pointed out.

26. Improvement needs concern various social domains; while the situation is quite heterogeneous in the different areas, overall performance can be enhanced.

III. Outline of improvement measures

A. How to improve timeliness?

27. Improvements regarding harmonisation (and earlier implementation) of the fieldwork periods is a possible option.

28. The following example illustrates the possibilities that exist in the field of income and living conditions. Income, Social Inclusion and Living Conditions (EU-SILC) is a structural survey for which one cannot expect very timely information to be produced. Moreover, users as well as producers have to be realistic and take into account technical constraints on the NSIs (mostly burden and resource problems). Possible risks of damaging continuity as well as a negative impact on the timing of the overall project are to be seriously evaluated before proposing any change.

29. However, the exceptional nature of the crisis reinforces the need expressed by data users for the production of more timely data. In this context, Eurostat discussed, together with NSIs, four possible options. One of these options is a better coordination of the fieldwork periods in all Member States. For that purpose, it was proposed to all Member States to concentrate the fieldwork in the first part of the year (for instance before August

each year). In the longer term, the discussion of the timeliness of the SILC data will have to be reopened in the context of the adaptation of SILC legal framework.

B. Sharing processes and tools in order to reduce the time between fieldwork and transmission of final datasets

30. So far, efforts have been made to reduce the duration of the period between the fieldwork and the data transmission to Eurostat in some domains. In that respect, improvements have already been implemented for SILC, the survey on continuous and vocational training (CVTS) and the Adult Education Survey (AES).

31. Good data validation tools have been developed for these data collections. Validation programs are sent to the NSIs, which avoids numerous retransmissions of data, thus making the data validation at both national and EU levels more efficient and rapid. A similar approach is planned for the LFS. This approach leads to efficiency gains by (i) having data validation done upstream and (ii) promoting standardised approaches based on the "Data Life Cycle" (CVD) philosophy.

32. Beyond that, and in a medium-term perspective, much can be gained by benefitting from the experience of leading countries and sharing good practice in terms of working arrangements and process organization. In the case of the LFS, for example, there is evidence that significant improvements in timeliness beyond the legal requirements are possible. Best national practice in the EU shows that it is feasible to release the quarterly data LFS sets within 6-8 weeks of the reference quarter (legal deadline 12 weeks). For other areas, it needs to be explored whether a similar potential exists.

C. Improving the timeliness of data from administrative sources

33. While administrative sources have a number of serious disadvantages compared to statistical surveys, at least in theory they have the advantage that data can be more readily available and therefore statistics can be produced in a very timely manner. In practice, however, this is rarely the case and improvements made in the past do not yet use the potential of administrative data sources to the full extent.

34. It is recognised that the extent to which improvements will be possible will depend on the complexity of the relationship between the statistics requested and the administrative sources available, but in general the situation could be greatly improved if efforts were devoted to integrating statistical concerns into administrative data collections, for example by attaching statistical modules directly to the administrative register in question.

35. An example can be found in the field of migration statistics. As regards immigration from third countries, the newly developed data collection on residence permits (under Commission Regulation 862/2007) is potentially a very rich data source. It provides data on the number of first residence permits issued to third-country nationals disaggregated by the reason for the permit being issued and the length of validity of the permit. The reasons related to remunerated activities include being a highly skilled worker, researcher, seasonal worker and other remunerated activities. The education-related reasons include students and other educational related reasons. Currently, the data are only provided 6 months after the end of the reference year, while administrative data for other areas of migration statistics (e.g. asylum, prevention of illegal entry and stay) are transmitted at the latest 3 months after the end of the reference period.

D. Producing new quick key indicators on the basis of existing sources (the case of Income, Social Inclusion and Living Conditions)

36. Even though EU-SILC is a structural survey, the crisis calls for the production of more timely data regarding income and living conditions. SILC data of year N (and N-1 for information regarding income) become available at the end of November N+1 and solutions must be found to obtain rapid information reflecting better the current situation concerning income and living conditions and permitting the monitoring of the evolution.

37. In this context, Eurostat discussed, together with NSIs, possible options for producing quick monetary and non-monetary results on the basis of a sub-sample, a simple set of income questions, or quick non-monetary/financial stress data. Preference was given to the production of quick non-monetary/financial stress data. Half of the Member States could send these data by June of year N+1. This will improve the timeliness of a part of EU-SILC data, which is extremely important for users as a predictor of poverty rates.

E. Possibilities to increase the frequency of data provision.

38. To increase the frequency of data provision, in cases where it is desirable from the users' point of view, the most promising possible action involves using administrative data for which more frequent access is possible, at a relatively low cost (in the case of surveys, this seems extremely difficult, in terms of both cost and burden on NSIs). This is particularly the case when administrative data stem from one single source.

39. For instance, for migration, as regards the above-mentioned newly developed data collection on residence permits (under Commission Regulation 862/2007), there is no reason in principle why this data collection could not be carried out on a monthly or at least quarterly basis (as is the case for most of the data collections on asylum). Such an increase in frequency could allow a more immediate and more precise monitoring of the impact of crises. The feasibility of this approach across all Member States would need to be evaluated, as the administrative situation (in terms of the number of data sources used) differs from one Member State to another.

F. How to fill information gaps?

40. A key element of the approach to filling information gaps will be to intelligently combine information coming from different surveys. A considerable added value can be created by the full implementation of the core variable philosophy, by data matching and, in the longer term, by laying the ground for data linking. These initiatives are part and parcel of the re-engineering strategy for social statistics. There are also targeted actions for specific fields in preparation.

G. Extending the scope of existing data collections

41. The following example illustrates how, in the domain of labour market statistics, the scope of existing structural tools could be extended in order to fill information gaps.

42. While the supply side of the labour market is well covered, there is a growing need for better information about the demand side, in particular demand unmet by enterprises, i.e. job vacancies. The PEEI on job vacancies, placed on a legal basis in 2008, gives the total number of vacant jobs and a rough industry breakdown on a quarterly basis. However, more structural detail, for example with a view to required skills, occupations or qualification levels, is requested by policy makers. Such forward-looking information

requirements would best be met on an annual basis. Discussions within the European Statistical System need to be re-launched – despite the fact that earlier attempts in the first half of the decade were not successful. In the light of the changed economic environment, however, a new assessment of the pros and cons (burden on enterprises) may be due.

H. A stronger focus on dynamics

43. Research and policymaking focus increasingly on the longitudinal analysis of the labour market in order to capture the underlying dynamics. Such an approach is particularly relevant in times of crisis, which are times of radical change. Unfortunately, the LFS as the main data source has weaknesses in this respect. While it is true that all Member States (except Belgium) have implemented a rotating panel design for the LFS samples, the rotation patterns are not fully harmonised. But this does not per se prevent the analysis of labour market flows at European level. A number of methodological issues, however, need to be explored to determine to what extent comparable longitudinal analyses are feasible, given the constraint of non-harmonised rotation patterns.

I. How to improve flexibility?

44. Currently, no particular mechanisms exist in the case of a major emergency or in cases where rapid and flexible responses to urgent policy needs are required. At the EU level, it is quite a challenge to provide fast and relevant information in such situations. As stated above, structural instruments cannot be transformed into short-term instruments; hence, adequate tools must be found for that purpose.

45. Eurostat is currently exploring the possibilities for improving flexibility through private data collectors. In particular, the infrastructure developed by the Eurobarometer is currently tested to produce data on consumer empowerment. In this case, the existing framework contracts in the Eurobarometer context were used up to their maximum limits (in terms of increased sample size, pre-testing, audits on quality, etc.) so as to assess the feasibility of a more regular use of a quality-adjusted Eurobarometer.

46. In addition, Eurostat proposes to start reflecting with Member States on an additional mechanism that relies on surveys that are able to deliver shorter-term data (LFS, survey on Information and Communication Technologies (ICT)). The proposal would be that Member States agree that during a severe crisis, these instruments might be used as rapid response tools. Several additional short term questions would thus be integrated in these surveys, for instance on recent or expected changes in income, consumption behaviour, education, health, social benefits, migration, etc.

IV. Conclusion

47. The information requirements that have become clear during the economic crisis have highlighted the strengths, but also a number of weaknesses of the current reporting system of social statistics in the EU. The paper addresses these weak points and proposes improvement actions to strengthen the responsiveness of the system. The proposed actions are also perfectly in line with major European initiatives: implementation of the EU 2020 strategy, GDP and beyond initiative, and the re-engineering of the production method of EU statistics.

48. Furthermore, discussion about the main findings of the paper should be extended beyond European borders, to international organizations, in a context of enhanced cooperation among international bodies in addressing data needs.