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USERS' NEEDS VERSUS RESPONSE BURDEN: HOW TO MAINTAIN THE BALANCE

Invited paper submitted by Statistics Lithuania*

INTRODUCTION

1. Statistics Lithuania (SL), like any other statistical institute, faces the challenge of coping with the increasing demand for statistical information that places an enormous burden on both the statistical institutes and on respondents. This demand comes from different users, such as EU institutions, international organizations, internal users and the public at large and is formulated in different policy and strategic documents.

2. The new strategic goal set for the European Union by the Lisbon European Council of 2000 and reaffirmed by the Stockholm European Council of 2001 "to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth, with more and better jobs and greater social cohesion" expressed an urgent need to reflect the implementation of the policy formulations by using available statistical information or introducing new surveys.

3. Statisticians in the European Community are also greatly concerned with fulfilling the mission of statistics: providing the European Union with a high-quality statistical information service. Good quality macro-economic statistics and business statistics are needed to manage the economy and such traditional statistics are a top priority. Statistics are also required for

* Prepared by Algirdas Semeta.

policy development across a broad range of economic and social domains, and to provide information to individuals, businesses, lobby groups and society in general.

4. The statistical requirements of the EU institutions are increasing rapidly. There has been a huge rise in the demand for EU-wide statistics in recent years, and this inevitably requires statistical institutes to reconsider many of the aspects of their work. The challenges facing European institutions have become extremely wide-ranging and complex; therefore, they can only be tackled in partnership on different levels involving the EU institutions, NSIs, individuals, economic operators providing statistical data and users.

5. Besides increasing requirements from the EU, NSIs also have to meet the challenges entailed by internal policy makers, society, etc. The internal requirements do not always coincide with the international ones. More often the internal requirements are specific to the country and statistics have to respond to them. At national level, the statistical system must be balanced and prioritized and reflect the issues which are of most immediate concern to tax payers.

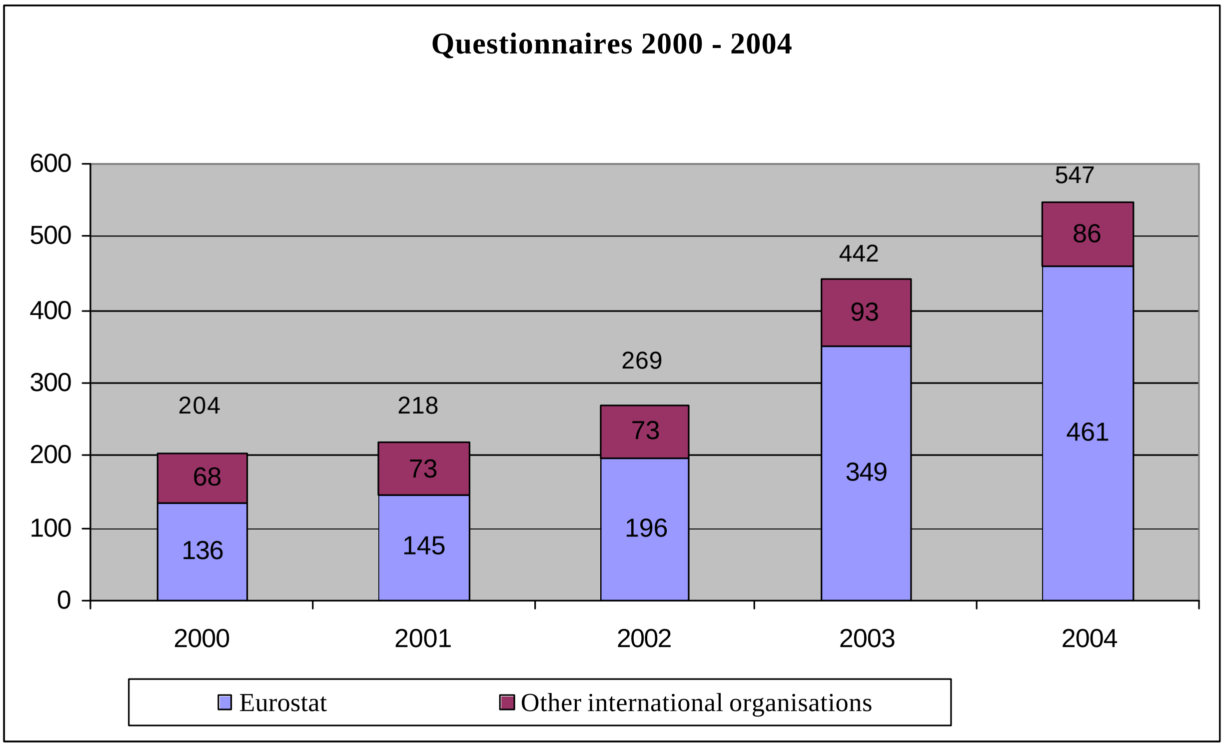
6. International organizations are important in relation to the requirements they formulate for statistical institutes. A number of policy documents such as Millennium development goals, measuring of globalization, policy coherence in agriculture, migrant workers in global economy, etc. are produced by different organizations such as UN, OECD, FAO, ILO and others. The monitoring and surveillance of the implementation of these policy documents have to be based on statistical figures. For this purpose, NSIs are asked to fill in a number of different questionnaires, which creates a burden on both statistical offices and respondents, especially in cases where the required figures are not readily available and must be collected. Simultaneously, NSIs have to be ingenious and resourceful, introducing a variety of measures, techniques and instruments to manage the increased burden on human and financial resources of the office and to respond to the increasing demands of respondents. Theoretically, a number of different Communications (policy documents produced within and outside the EU) set a target to decrease the burden on those who provide information. First of all, the legal basis to produce and disseminate statistics is clearly defined in Article 285 of the Treaty of Amsterdam: “the production of Community statistics shall conform to impartiality, reliability, objectivity, scientific independence, cost-effectiveness and statistical confidentiality; it shall not entail excessive burden on economic operators”. The same wording is retained in the EU Treaty establishing a Constitution for Europe.

7. EU Council conclusions concerning the Commission Communication on “Towards a European Governance Strategy for Fiscal Statistics” address the NSIs’ capacity to set priorities, which should also be conducive to a reduced regulatory burden on respondents. The Annual Report on Structural Reforms 2005, prepared by the Economic Policy Committee for endorsement by the ECOFIN Council, clearly states the need to create the right climate for small- and medium-sized enterprises by reducing administrative burden and simplifying legislation. The EU Commission is requested to continue the work on methodology to measure the administrative burden of EU legislation and regulation.

8. In the chapter on Challenges identified in the Broad Economic Policy and the areas where further progress is still required for almost all countries, the further reduction of the administrative burden in order to improve the overall business environment is recommended.

9. Finally, in response to the invitation of the ECOFIN Council, the EU Commission works on the establishment of European-wide minimum standards in the domain of statistics, which reinforce the independence, integrity and accountability of the NSIs. With this in view, the Statistical Programme Committee recently agreed to the draft version of the Code of Conduct, which aims at improving trust and confidence in the independence, integrity and accountability of both NSIs and Eurostat, and in the credibility and quality of the statistics they produce and disseminate. It also aims at promoting the application of the best international statistical principles, methods and practices by all producers of European Statistics in order to optimize their quality. The question we are dealing with today is also included in the Code. The Code of Conduct is aimed at data providers to inform them that the confidentiality of the information they provide is protected and that excessive demands will not be placed upon them. Principle 9 of the Code addresses the Non-Excessive Burden on Respondents: "the reporting burden should be proportionate to the needs of the users and should not be excessive for respondents. The statistical authority monitors the response burden and sets targets for its reduction over time". A number of indicators to monitor the response burden have already been identified and implemented by SL.

10. Considerable efforts have also been initiated by the international organizations to work jointly and agree on common questionnaires, trying to avoid the slightest appearance of duplication and simultaneously reducing the burden on NSIs and respondents. However, this work has not been as efficient as planned, and the number of questionnaires produced by the international organizations continues to grow, with an exception for the year 2004. The biggest user is Eurostat (see below).



11. The list of policy requirements which have an impact on statistics, and the urgent need to significantly alleviate the response burden have been identified in theory but have not been sufficiently implemented in practice; NSIs, the EU institutions and international organizations all need to take the appropriate measures. The task will involve maintaining the balance between emerging requirements of the users without significantly affecting businesses and individuals who are key contributors to the availability of statistical information.

MEASURES TAKEN TO REDUCE THE BURDEN ON RESPONDENTS

12. Considering the fact that, so far, measures taken at the international level are not sufficient, SL initiated concrete strategic actions at organizational and technological levels in order to deal with the existing and newly emerging requirements and reducing the response burden.

13. SL started work on the problem by combining all possible efforts and sources. A working group comprising representatives from business and active on a permanent basis in close cooperation with the Lithuanian Business Confederation, Lithuanian Trade Enterprises Association, analyzed the situation and produced an action plan covering organizational, strategic and technological aspects. The work was conducted in several directions, first of all defining response burden. Since no unique thinking exists concerning the implication of the statistical response burden, SL considers it as respondents' time spent in completing statistical questionnaires, taking into account the number of questionnaires received and the number of indicators therein, as well as the cost incurred. The next step was to decrease the number of questionnaires sent to enterprises and to constantly review existing statistical questionnaires in order to identify whether different statistical questionnaires duplicate certain indicators and to analyze the coherence and relevance of indicators. Investigating any of the slightest possibilities to use administrative data sources was important. In order to achieve the goals set, a better partnership with respondents was envisaged and, last but not least, the creation of favourable and secure conditions for respondents that could reduce the burden in terms of time spent and also shorten delivery time of statistical data.

14. Analysis of the burden on respondents revealed that large enterprises receive too many statistical questionnaires, whereas small enterprises, even if the number of the statistical questionnaires is not so high, have to participate in the surveys year by year. This is a problem for a small country. SL tried to solve the issue by canceling surveys or clarifying whether there is coherence between the indicators in different questionnaires. In those cases where duplication is detected, i.e. if the same indicator is included in several statistical questionnaires, they are either merged together or the duplicated indicators are eliminated.

15. The canceling of a statistical survey, i.e. non-sending of statistical questionnaires to respondents without violation of users' interests, is very complicated. This might happen only if the required indicators are calculated on the basis of the available information or by using alternative data sources. SL withdraws annual surveys of those statistical domains only if short-term statistics are collected and available. However, short-term statistics differ from annual statistics both in terms of coverage and the level of details. Nevertheless, some entire surveys (questionnaires) were retracted. For example, SL cancelled annual survey on services. Annual statistical information is now based on the data from quarterly surveys.

16. Another example is an annual survey on earnings, which is complicated and time

consuming for respondents. However, this survey is very important for both internal and external users. A methodological solution was required to calculate annual indicators based on the short-term statistics and information from administrative data sources. For the quarterly earnings survey, the sample was augmented in order to increase representativeness on the regional level. After analyzing information in the database of the State Social Security Fund Board, a methodology for its use was prepared. The results of this activity were palpable, i.e. beginning with 2005, 37 thousand respondents were released from the obligation to fill in the annual earnings survey questionnaire.

17. Another measure to reduce statistical response burden is related to the more effective use of information that is already available at the statistical office. For instance, investment of enterprises might be measured using the annual financial accountability data of enterprises. From 2005 on, 25 000 enterprises were released from filling in the annual questionnaire on investment. Annual investment indicators are to be estimated on the basis of quarterly investment survey and statistical indicators of structural business statistics.

18. Through the review of statistical questionnaires, SL also evaluates the relevance of the surveys. Irrelevant and recurrent indicators are identified. To date, such a revision has been conducted within each statistical domain. In order to better harmonize surveys and to avoid recurrence of indicators, a procedure and instructions for statistical questionnaires and reporting were prepared and approved. In order to reduce response burden on small enterprises that participate in sample surveys, the planning of statistical surveys and links between them are of great importance.

19. In the case of Lithuania, small enterprises are statistically significant since they make up a major share of the Lithuanian enterprises. In some of the activities (e.g. services sector), they account for absolute majority. The share of enterprises of relevant size compared with the their total number is presented in the table below.

No.	Size of an enterprise	Share in the total number of enterprises
1.	Up to 5 employees	˜ 43%
2.	Up to 10 employees	˜ 65%
3.	Up to 20 employees	˜ 79%
4.	Up to 50 employees	˜ 91%
5.	Up to 100 employees	˜ 96%
6.	Up to 250 employees	˜ 99%

20. Enterprises with 10 employees make up more than half of all Lithuanian enterprises. Every year while making samples, a rotation principle for enterprises is applied. In the short-term statistical surveys, one fourth of enterprises are rotated. Thus, theoretically, every concrete enterprise should participate in the same survey for 4 years. Unfortunately, it is not always possible to introduce it into practice. The problem is related to the fact that Lithuania, being a small country, accommodates a relatively small number of enterprises. In many of the economic activities, the number of enterprises accounts for only a few tenths of the enterprises. This is

very characteristic for industrial activities. For instance, only 6 enterprises are engaged in the manufacture of paper and paper products, 15 in the publishing of books, brochures and other publications, 5 in the manufacture of fertilizers and nitrogen compounds, etc. The same can be said of many activities in the service and trade sectors. In such cases, rotation is not possible and the same enterprises, even if they are small, are obliged to participate in the surveys and provide information for the statistical office year by year. Stratification is applied in many sample surveys. If, in order to achieve an accurate estimate, the number of small enterprises is divided into two or three strata, the critical limit is again reached when a sample covers the majority of the population.

21. For the same reason, it is difficult to harmonize surveys, i.e. to apply such sample harmonization systems as SAMU, SOLOMON, etc, although, from the technical point of view, it would not be too complicated. Analysis of the sampling process has been conducted by dividing surveys according to their importance and focusing on the selection of enterprises. At SL, samples for all surveys are produced simultaneously at the end of the year using the latest information available in the statistical business register. After completing the sample selection procedure, a list of sampled enterprises is compiled which clearly identifies how many surveys are produced per enterprise. All cases where small enterprises happened to be included in more than 2 sample surveys are separately analyzed and, when possible, they are changed.

22. The best solution for the reduction of burden on respondents is the use of administrative data sources. Use of administrative data has many other advantages: non-response rate is very low, the involvement of two administrations reflects positively on the quality of the data, and costs are saved in data collection. Certain disadvantages should also be mentioned, namely dependence on institutions managing administrative data and the additional need for inter-institutional action coordination. Currently, administrative data are mainly applied in demographic, earnings, structural business and foreign trade statistics. Data from administrative sources are used:

- for the preparation of statistical indicators: data are taken directly from the administrative sources and are not collected from respondents;
- for estimation of non-response;
- as auxiliary information for the calculation of estimates;
- as an additional information for preparation of sample plans;
- for updating the statistical business register;
- for producing flash estimates.

23. For example, SL uses the Population register data as the main source for primary data for the preparation of demographic statistics, labour force and household budget, and other statistical surveys. It also serves to update the statistical business register, prepare population and housing censuses and conduct analysis of data obtained in the censuses, for the preparation of statistical information on social and other types of statistics. Population register data and their integration via the ID with other data bases reduce costs for the production of statistical information on population, alleviate response burden, ensure accuracy and comprehensiveness, and enable to shorten the deadlines for delivery of statistical information.

24. However, it is not so easy to use administrative databases directly due to differences in definitions of indicators, different deadlines for reporting, technical problems, legal and organizational aspects as well as differences between the goals of institutions for which data are collected. In all cases, SL considers that finding a solution to facilitate the life of

respondents and at the same time to obtain relevant information is their highest priority. Currently, SL uses 110 administrative data sources from different institutions and organizations. Most of the data are received in an aggregated form (from 71 source). Data are taken directly from the State Tax Inspectorate (STI), State Social Insurance Fund Board and other institutions' databases. For the tax administration and statistical purposes, an inter-institutional data warehouse (IDW) has been established, which is an integrated database of paid and declared taxes, financial-economic and other tax related indicators of tax payers. The joint order for the foundation of the IDW was signed by the State Tax Inspectorate (a manager of the warehouse), the State Social Insurance Fund Board, Customs, SL and the Ministry of Finance. The IDW was created in the context of cooperation with the Danish Ministry of Taxation.

25. The IDW offices are established in the Economic Analysis Division of the Government of the Republic of Lithuania, the Ministry of Finance, SL and other institutions enabling their IDW users to have access to the aggregated VAT declaration data. The project resulted in a practical and useful outcome, enabling all interested parties to exchange information. In terms of statistical purpose, it contributes to the alleviation of burden on respondents. However, the possibility to use administrative data sources doesn't resolve the basic problem. Coherence of indicators remains an important question. It is true that other institutions do not have exactly the same indicators that statisticians need. Statisticians must calculate the indicators they need from the information available. In order to simplify the job, definitions of the basic indicators available in the administrative databases are clarified. Based on these clarifications, a comparative analysis of definitions of indicators used for statistical purposes and those available in the administrative databases was conducted. This analysis identified the indicators that could be used for statistical purposes. The second step in this direction is to carry out calculations and try to analyze differences between the statistical information received from statistical surveys and analogous information obtained using administrative data sources. All the proposals concerning the relevance of administrative data to be used for statistical purposes will be further discussed and analyzed.

26. Another important step that also contributes to successful work with respondents is partnership. The European Quality Declaration states that a mutually useful partnership has to be developed between statisticians and data suppliers/respondents. SL continuously strengthens its cooperation with respondents. Regular meetings and discussions with the Lithuanian Business Confederation, Lithuanian Trade Enterprises Association and business representatives are held. The benefit of these meetings is obvious. Enterprises tend to better understand the need for statistical information, and they are provided with feedback in terms of statistical information they consider relevant for their purposes. They may express their request through business organizations or address themselves directly to SL.

27. The creation of a favourable, user-friendly, time-saving, cost-efficient and secure environment for respondents is one of the major projects initiated at SL. Certain technological solutions have been proposed, primarily the introduction of electronic questionnaires. SL began work on the project in 2001. During 2002, 3 electronic statistical questionnaires were elaborated and tested with the 50 sampled enterprises. The instructions and order for submitting statistical questionnaires electronically had already been prepared and the system for respondents‘ registration developed. Beginning with 2003, the system started to function in real conditions, gradually introducing new statistical surveys in electronic form. To date, 17 electronic statistical questionnaires have been introduced. At the end of 2005, 25 statistical

questionnaires will be provided for respondents to be filled in electronically.

28. When the system started to function in practice, respondents were urged by different means to use the new services provided by SL. With the aim of simplifying respondents‘ registration procedures and, at the same time, ensuring the reliability and protection of data, respondents were given the possibility to start using the service without “leaving the office” (they had to send the written consent of the manager and register on the website of SL). Beginning in 2003, 1300 respondents expressed their wish to provide statistical reports electronically. The number of such respondents is continuously growing.

29. In 2004, to create a favourable environment for business entities to prepare statistical accountancy data at lower costs, SL started to elaborate a project on electronic data preparation and transmission from business accountancy (bookkeeping) systems.
Within the project, the possibilities for using business accountancy systems for electronic preparation and transmission of statistical business data via Internet will be analyzed. This service should cover the production of all business data and transmission to SL, and also data collection from farmers and agricultural partnerships. The success of the project depends on the financial possibilities that, so far, are not secured; the costs estimated are quite substantial.

RESULTS ACHIEVED AND NEXT STEPS

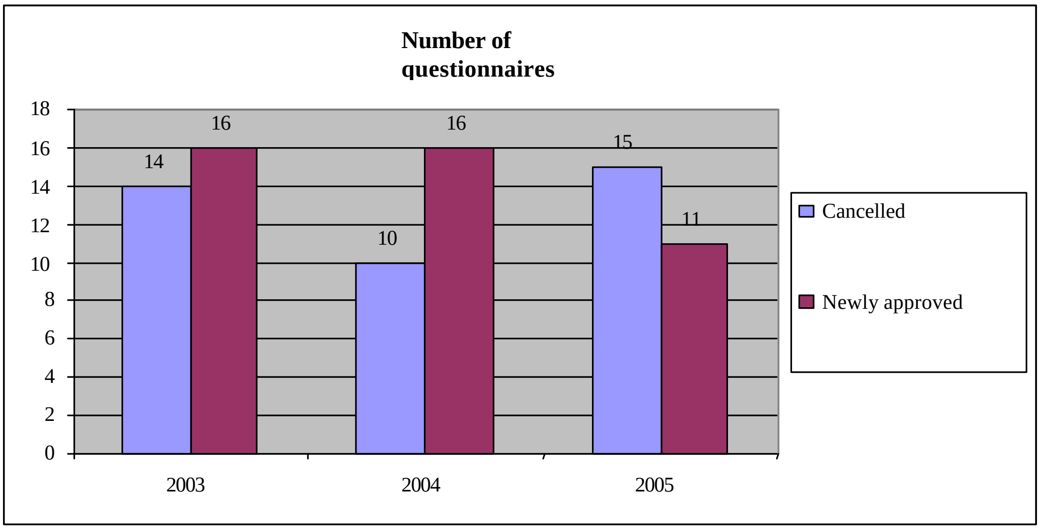
30. A variety of different activities introduced by SL has generated a demand for thorough analysis of the outcome and results achieved so that costs incurred can be compared in terms of human and financial resources with the concrete results achieved. Not all projects and activities produced positive results, due to increasing users’ needs. Since SL hasn’t yet conducted a survey of time spent completing questionnaires by respondents, statistical response burden is assessed on the basis of the number of respondents receiving statistical questionnaires and the number of indicators in the statistical questionnaires, taking into account their periodicity and difficulties in filling in the indicators. The results of this analysis were not very comforting. Cancellation or merging of the questionnaires does not free SL from its obligation to the EU, international or national requirements, and its obligation to submit relevant statistical information by certain deadlines. For instance, in the statistical questionnaires on Foreign direct investment 2004, if compared with 2003, the number of indicators increased from 212 to 757 (by 545) due to the Balance of Payments "VADE MECUM" detailed distribution of geographical level, whereas the number of respondents increased from 2550 to 2700 (by 150).

31. Only after some years did intensive efforts and measures start to generate tangible results. Therefore, only now can SL enjoy some of the fruits of its labours. For instance, the number of surveyed enterprises per year decreased from 53 000 respondents to 43 000 (by 15 %). SL also managed to reduce a number of statistical surveys per enterprise. One enterprise participates, on average, in 4 statistical surveys. However, it is not possible to maintain equal distribution of surveys among enterprises. The biggest burden falls on large enterprises, of which there are not many in Lithuania. The distribution of the number of surveys per enterprise in the enterprise size groups is presented in the table below.

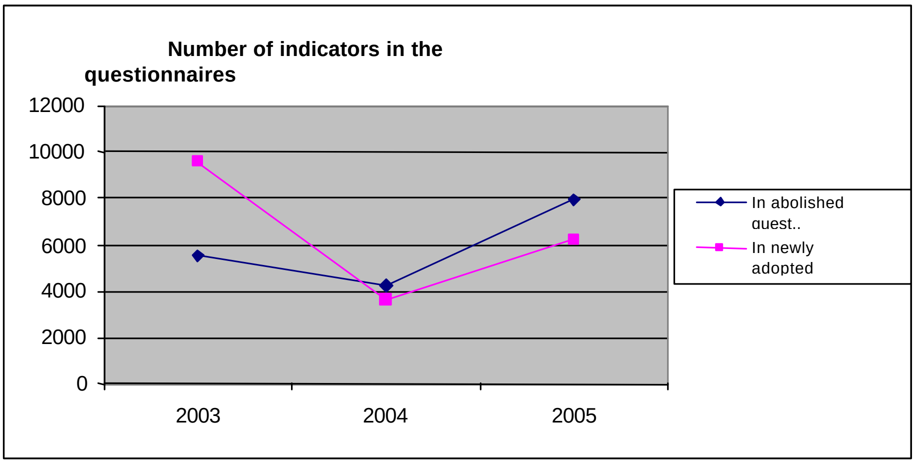
	2004		2005	
Size of	No of	Average number per	No of	Average number per

enterprise	enterprises	enterprise	enterprises	enterprise
0-4 employees	24725	2,5	17963	1,6
5-9 employees	10894	3,5	9593	2,0
10-19 employees	7223	4,7	7048	3,7
20-49 employees	5984	6,0	5292	5,9
50-99 employees	2575	7,9	2246	8,5
>100 employees	1932	10,8	1960	11,4

32. The reduction of statistical surveys is a strategic goal included in the Strategy document of SL for 2005-2007 and in the strategic implementation plan. The intention is to reduce the average number of surveys per enterprise from 4 to 3.5. At the same time, the number of questionnaires has been reduced from 206 in 2004 to 193 in 2005. In 2003, the number of newly approved statistical questionnaires was higher by 2 questionnaires if compared with those cancelled, in 2004, by 6, and only in 2005 the number of cancelled questionnaires outnumbered the newly approved ones by 4. The chart below reflects the situation.



33. The number of indicators is very important for reflecting the burden on respondents. After having analyzed and compared the number of indicators in the cancelled and newly approved questionnaires, SL observed the following: in 2003 the number of indicators increased by 58 % (by 4039 indicators); if the number of indicators in the abandoned questionnaires is compared with the number of indicators in the new statistical questionnaires, in 2004 the number of indicators in the statistical questionnaires decreased by 16 % (by 582 indicators), and in 2005 the number of indicators in the statistical questionnaires decreased by 28 % (1721 indicators).



34. The results achieved are not, however, sufficient and further measures will need to be taken in the coming years. The strategic implementation plan reflects that intention together with concrete activities to be taken in the following directions:

- more intensive use of administrative and other data sources for the production of statistical information which will cover analysis of the data used for statistics and corresponding indicators in the administrative databases; based on this analysis, to estimate the relevance of the indicators of administrative sources for the use for statistical purposes;
- to continue the annual revision of the questionnaires with an aim to identify the surveys or indicators which are no longer relevant;
- to continue development of the Statistical information system which will ensure coherence of indicators inside the statistical office;
- to continue introducing a rotation principle among small enterprises in economic activities with a high number of enterprises; to apply sample methods more widely;
- to improve the environment for respondents when filling in survey questionnaires through the provision of new tools;
- to increase awareness of respondents concerning statistical demand and making feedback more active by promoting the use of statistical information;
- to prepare the methodology to elaborate an indicator evaluating the burden on respondents.

CONCLUSIONS

35. SL initiated many projects and measures to reduce the burden on respondents, and a number of new ones are in the pipeline. However, not every measure resulted in a tangible outcome and the results did not always meet expectations. Hard work during recent years has shown that SL must combine its efforts with those of NSIs, Eurostat and international organizations. A more active approach should be taken in terms of cooperation with policy-makers.

36. Positive results will never be achieved if, on the one hand, countries strive to decrease the burden, while on the other, partners continue to produce more requirements and demands. The EU legislation is a good example. Communication on Strategic Objectives 2005-2009 (Europe 2010: A partnership for European Renewal) stresses that legislation should aim at the highest levels of quality, coherence and effectiveness and that impact assessment before initiatives are launched and throughout the legislative process must become second nature. In the report from the EU Commission to the Council and the EP on the Evaluation on the implementation of the Community Statistical Programme 1998-2002, it is clearly recognized that, in a few statistical domains, there is evidence that the response burden has been reduced. However, due to new statistical requirements, the total response burden may have increased over the period. The work being done is not enough. For instance, the EU countries judge the volume of data required by Eurostat on agriculture as being too high, survey questionnaires too dense and the burden on respondents too heavy. There are many other such examples that could be questioned and analyzed. The same report states that prioritization appeared to be very difficult and complex. Methodology for prioritization has to be elaborated, approved and used, taking into account current and new activities and key criteria such as political priorities at EU level, relevance and data quality that would lead to improved planning and programming of statistical work programmes.

37. The Dutch presidency initiated concrete measures for better regulation and simplification of legislation, taking more practical steps to revise the old legislation and preparing methodology for impact assessment on the EU Commission initiative level, and the Council level involving the member states. These measures were continued by the Luxembourg presidency and will no doubt be pursued by the UK presidency. Every new legal act should be accompanied by a cost-benefit analysis or impact assessment at the stage of initiation.

38. The intention to pursue work on identifying priorities for simplification is a continuous process that has to be intensified. Impact assessment is an important element in efforts to achieve a better regulatory and administrative environment for enterprises. Some of the member states have adopted targets stating that they will submit to impact assessment all new regulations relevant to the business sector. This is positive progress; however, when the regulation is in force, it is difficult to change anything. Therefore, impact assessment has to be prepared before it comes into force, i.e. for draft regulations and for those that are still in the pipeline.

39. International organizations collecting data from NSIs should also make more effort to share the data that already exist without duplicating direct data collection from NSIs. The revision of questionnaires should become a permanent procedure. International organizations should use existing databases available in other organizations or countries for the information

they need. Before producing and disseminating the questionnaires, they need to find out whether such information is already being collected.

40. Finally, apart from different tools and instruments introduced by all parties involved, measures should be taken to elaborate an indicator that is harmonized among the countries to measure the burden on respondents.

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