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SEMINAR ON STRATEGIC ISSUES IN BUSINESS STATISTICS

SESSION I: REDUCING RESPONDENT BURDEN

**THE MEASUREMENT AND REDUCTION OF STATISTICAL RESPONDENT  
BURDEN ON BUSINESSES: THE CURRENT STATE OF AFFAIRS**

Note by Eurostat

*Summary*

The Conference of European Statisticians selected in June 2008 (ECE/CES/74) the topic “Strategic issues in business statistics” for a seminar to be held at its 2009 plenary session. The Bureau, acting on behalf of the Conference, approved the outline for the seminar at its February 2009 meeting (ECE/CES/2009/2) and requested Eurostat to prepare a note on the current state of affairs in reducing respondent burden.

The present note provides an overview of the efforts undertaken to reduce the statistical reporting burden in the European Union countries, in particular concerning measuring the statistical burden, the perceived respondent burden, integration of data collections, use of administrative data, and the trade-off between burden reduction and quality. The issues were discussed at two recent international meetings on this topic: the annual conference of Directors-General of the European Statistical System (Vilnius, September 2008) and the Conference of the International Association for Official Statistics (Shanghai, October 2008).

## I. INTRODUCTION

1. In the area of business statistics, major developments over the past decade or so have been determined by two main drivers: on the one hand the need to deal with new and emerging needs for statistics, and on the other the need to reduce the burden on respondents, as well as the costs for producing statistics. The present paper deals with the latter issue.
2. In the European Union (EU), the highest importance is given to simplifying and improving the overall regulatory environment. This is part of its wider objective of improving the competitiveness of EU businesses. The Better Regulation Agenda, adopted in 2005, aims at modernising and simplifying the existing stock of legislation and at ensuring that all new initiatives impose as little extra burden as possible.
3. Within this framework, important actions have also been implemented in the specific field of statistics, in line with the strategic approach presented in the European Commission's Communication on reduction of response burden, simplification and priority setting<sup>1</sup>.
4. The Economic and Financial Affairs Council welcomed the ongoing simplification activities on several occasions. Acknowledging the fact that the reduction of burden should not negatively impact on the quality of statistics, the Council stressed the importance of making progress on an efficient use, compilation and exchange of existing data. The Commission (Eurostat) was also invited to step up its efforts to enhance the measurement of statistical response burden, to make a further assessment of change in overall burden and to report on the results of cost-benefit analysis in key areas.
5. The importance that is given to the issue of respondent burden reduction was further underlined by the fact that the annual conference of Directors-General of the European Statistical System, held in Vilnius in September 2008, was devoted to it. Also at broader international level, the conference of the International Association for Official Statistics (IAOS) held a major conference on "Smart Data, Innovative Uses - Reshaping Official Statistics" in Shanghai in October 2008.
6. The present paper aims at giving an overview of the current state-of-play in the area of the measurement and reduction of statistical respondent burden on businesses in the EU, that follows from the discussions in the two conferences mentioned above.

## II. MAIN THEMES

7. The discussions at the Vilnius conference identified six main issues that need to be the subject of further considerations. One of these (the simplification of Intrastat) concerns a topic (the data collection of trade flows between the Member States of the EU) that is of little or no relevance for non-EU countries, and will therefore not be discussed in the present paper. The other themes - the measurement of respondent burden, perceived respondent burden, integration

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<sup>1</sup> Communication from the Commission to the European Parliament and to the Council on reduction of response burden, simplification and priority setting (COM(2006) 693).

of data collections, using administrative data in combination with survey data, and the trade-off between burden reduction and quality - will be addressed in this section.

#### **A. Measuring the statistical burden**

8. The reduction of the statistical response burden on EU businesses has been a permanent concern for Eurostat for many years, and it is probably one of the areas where a lot of progress has been made already, both in terms of analysis and of actual burden reduction.

9. In that framework, Eurostat has decided that before any new statistical requirements could be introduced, there should be an assessment of the burden they impose. Moreover, between now and 2012, there will be a burden measurement exercise of the complete current statistical production. This means that there is a need for a common methodology to measure the burden on respondents that is used in all EU Member States.

10. A pilot exercise done in 2006 used the net cost method developed by Statistics Netherlands and applied it to three areas of statistics: foreign affiliates trade statistics (FATS), rail, and aviation statistics. The outcome was very disappointing: the pilots showed that the methodology was not only difficult to apply to the statistical surveys, and could not even be applied in all Member States. Moreover, it did not produce harmonised or even plausible results in some cases.

11. Still, this work was carried forward and the so-called EU Standard Cost Model (SCM<sup>2</sup>) was developed by Eurostat. This measures the response burden as the costs of respondents, in particular businesses, in terms of "time spent" or in monetary terms. A considerable number of EU National Statistical Institutes (NSIs) are already using it in order to measure or estimate response burden on businesses (and in some cases on individuals or households) related to certain statistical reporting obligations.

12. A survey of NSIs conducted in 2007 on their measurement of respondent burden pointed at a great disparity among countries. Burden and costs evolution vary, ranging from large decreases to substantial increases, depending on the country concerned and on the measurement method. The different levels of information provided by the Member States also account for divergent results. Some answers were very complete and detailed, other NSIs could not provide information for all Regulations or for all years, some were based on real figures, others on estimations, etc. Because of the divergent country behaviour and because of the lack of comparable figures, it was not possible yet to find a general trend in the evolution of statistical costs and burdens in the EU. Nevertheless, with no exception all Member States come to the conclusion that the burden of statistics on enterprises is quite low, that is between 1 and 2% of the total administrative burden on companies in most countries.

13. This finding is corroborated by the results of an overall burden measurement project that has been undertaken by the European Commission's Directorate General for Enterprise Policy. In the framework of the Action Programme aimed at reducing administrative burdens on businesses in the EU by 25% in 2012, a large-scale baseline measurement of administrative costs incurred

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<sup>2</sup> See Annex 10 of the Impact Assessment Guidelines:  
[http://ec.europa.eu/governance/impact/docs/key\\_docs/sec\\_2005\\_0791\\_anx\\_en.pdf](http://ec.europa.eu/governance/impact/docs/key_docs/sec_2005_0791_anx_en.pdf), as well as Annex 6.

by businesses when complying with legal obligations to provide information to public authorities or third parties (reporting, labelling, inspection, statistics, ...) has been conducted. This measurement covered both obligations stemming from EU legislation and from national measures implementing or transposing it. The methodology used is based on the EU Standard Cost Model, drawing on national variants currently used in 20 Member States<sup>3</sup>. The results show that the burden of statistics as a percentage of the total administrative burden on businesses in the EU ranges from 0.6 to 0.75%.

## **B. Perceived respondent burden - communication**

14. However, while the real burden of statistics as a percentage of the total administrative burden may not be so high, the perceived burden is much higher. Anecdotal evidence based on surveys of enterprises indicates that statistics are considered to be a particular "irritant" and their perceived burden is many times higher than their real burden. This is particularly true for Small and Medium-sized Enterprises (SMEs). An explanation of this could be that in relative terms it is more costly for SMEs to devote working time to filling out questionnaires. Also, often the person responding to the survey on burden is the same person filling out the statistical questionnaires, which may explain his/her high "irritant" factor. And thirdly, large companies are in most cases also users of statistical data (e.g. for market research) so that they see a certain interest in providing statistical data, while this is rarely the case for SMEs.

15. In the EU, Statistics Netherlands (CBS) has invested a lot of work and effort in assessing the perceived burden of statistics and in taking actions to reduce it. At the Vilnius conference, a paper from the CBS<sup>4</sup> discussed a number of possible ways of addressing this.

16. The first possible solution is to spread the burden. In the Netherlands, the CBS has introduced a so-called "statistical holiday" for small enterprises and two large surveys (structural business statistics and investment statistics). In concrete terms, this means that small enterprises (less than 10 employees) will not be surveyed for at least a year if they take part in one of these two surveys. Also in other countries, a sample rotation methodology for economic surveys utilising the national Business Register is applied. This controls the number of continuous collection periods that a small and medium sized business can be selected in for a particular survey.

17. The second solution concerns improved communication. In the Netherlands, it has been shown that improved communication on surveys has resulted in less irritation. The CBS has systematically reviewed its communication with enterprises since early 2007. Several instructions and brochures, reply letters, frequently asked questions (FAQ's) and other communications from the CBS to enterprises have been rewritten by an independent communications adviser. The main purpose was to communicate more clearly by using less bureaucratic language. Also, a special unit has been created to deal with questions and comments from enterprises in a rapid and user-friendly manner.

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<sup>3</sup> See the website of the Standard Cost Model Network: <http://www.administrative-burdens.com/>.

<sup>4</sup> Peter Oomens and Gérard Timmermans, The Dutch approach to reducing the real and perceived administrative burden on enterprises caused by statistics, CBS, September 2008.

18. Explaining the need for statistics to respondents and their organisations is another priority area. The CBS does this through its direct contacts with various business organisations, through articles appearing in specialised magazines for businesses, and via its website. The CBS has also started to return benchmark information to enterprises. Under this initiative, the data supplied by a particular company are combined with the branch aggregates and returned to the respondents, thereby enabling the concerned company to assess its own position vis-à-vis the other companies in its sector. The system is currently operational for 8,500 enterprises in the catering industry, temporary employment agencies, industrial enterprises and the construction sector, but it will be extended to other sectors in the near future. Finally, the CBS has set up a board of respondents, which has the task to advise the CBS on how to improve its data collection from enterprises, as well as its communication with them.

### **C. The integration of data collections**

19. Several strategies have been developed in order to reduce the burden on respondents in the area of business statistics. One option is to review the production methods of statistics. Historically the collection of data has been developed area by area, and not in an integrated manner. As an alternative, the integration of data sets by combining data from different sources will contribute to the further reduction of the statistical burden. For that purpose, it needs to be investigated how information from different sources can be merged and exploited for different purposes, e.g. by eliminating methodological differences, making statistical classifications uniform, etc.

20. In the long term, it would be highly efficient for statistical institutes to create a network of databases, from which any relevant information could be extracted. In the medium term, the strategy is geared towards linking data at the micro-data level. Micro-data linking is an important tool not only for the purpose of burden reduction, but also to have better comparable data sets. Statistics for specific domains will then no longer be produced independently from each other (stovepipe approach); instead they are produced as integrated parts of comprehensive production systems (the so-called data warehouse approach) for clusters of statistics.

21. Statistical production relies increasingly on a common statistical infrastructure: metadata, registers of different kinds of populations, geographical information systems (GIS), etc. Ultimately, the process standardisation of the business architecture continues throughout the whole production process, from conceptualisation to data collection and statistics compilation to dissemination. Process-oriented production of statistics was one of the issues discussed at the Shanghai conference, where it was concluded that important efficiency gains could be achieved via a higher degree of process standardisation.

### **D. The use of administrative data**

22. The bulk of the papers presented at the Shanghai conference dealt with the use of administrative data for statistical purposes. This has a long tradition in Scandinavian countries, but has in more recent years been adopted or at least examined in many other parts of the world. The use of administrative data for statistical purposes is based on the fact that governments collect data for many non-statistical purposes, such as tax and labour market policies. Efficiency gains can be obtained by the re-use of these administrative data for statistics. Also data from

other (external) sources can contribute to this, e.g. through the use of private information providers or the direct use of accounting data from companies.

23. However, many participants at the Vilnius conference pointed to possible drawbacks of using administrative data, e.g. as regards the quality of the statistics, the control (or lack thereof) by the statistical offices, issues of confidentiality, and the possible increase of the costs of data compilation.

24. Also at the Shanghai conference, several papers demonstrated that the use of administrative data is by no means a panacea for burden reduction. A paper from the Statistical Office of the Republic of Slovenia (SORS)<sup>5</sup> discussed a number of serious disadvantages that could jeopardise the benefits of combining data sources. These relate to the changes needed in data processing, the new challenges for human resources in statistical institutes, and the possible cost increase. The following table, which is (partly) borrowed from an article by Stephen Penneck from the Office for National Statistics, United Kingdom (ONS)<sup>6</sup> presents a useful overview of the different features of administrative data in terms of the traditional quality dimensions:

<b>Quality dimensions</b>	<b>Features of administrative data</b>
Relevance	Definitions and coverage will be relevant to the administrative system, rather than the analytical need. Good source for detailed and local area analysis.
Accuracy	Subject to non-sampling error. Not under the control of statisticians
Timeliness	Some sources (e.g. tax data) less timely than surveys
Accessibility	Depends on legal structure. May also be technical and institutional barriers
Comparability	Dependent on changing administrative definitions over time
Coherence	Often enables data linking if common identifiers exist

Source: Penneck (2007)

25. In order to ensure that the use of administrative data for statistical purposes will deliver the expected positive efficiency gains and lead to burden reduction for businesses, several participants at the Shanghai conference argued that certain conditions need to be fulfilled. A (non-exhaustive) list of such conditions is:

(a) An appropriate legal framework. This includes the statistical law itself or other legislation that establishes the control rights of the national statistical institute (NSI) (e.g. the need to consult the NSI before changing any of the features of the administrative data), as well as legislation on the protection of personal information;

<sup>5</sup> M. Zaletel and I. Krizman, The hidden side of a success story – implication of wide use of administrative data sources at national statistical institutes, SORS, October 2008.

<sup>6</sup> S. Penneck: Using administrative data for statistical purposes, Economic & Labour Market Review, Vol 1 No 10, October 2007, p. 22.

- (b) High-level political support that helps in preserving the control of the NSI over the administrative data source;
- (c) The existence of well-established and widely used registers with common identifiers;
- (d) A well-developed information technology infrastructure in the administrations from where the data originate.

#### **E. The trade-off between burden reduction and quality**

26. Several participants at both conferences pointed at the need for statisticians to be vigilant regarding the potential trade-off between burden reduction and the quality of statistics in its various dimensions. All possible methods for burden reduction present a potential risk of negatively affecting the quality of statistics, be it in different forms depending on how the reduction of respondent burden is achieved. It is therefore important that efforts to reduce the burden would be accompanied by cost-effectiveness analyses in order to minimise, or at least identify, this risk.

### **III. CONCLUSIONS**

27. The purpose of the present paper is to summarise the background, as well as the current state-of-play, of the ongoing debates on burden reduction in statistics. Therefore, its conclusions can only be very general and preliminary. Nevertheless, there are a number of points that are worth making at this stage.

28. Several elements of the Vilnius and Shanghai discussions imply a change in the professional paradigm of statistical offices from "data-collectors" to "re-users of data". However, while data collected through traditional methods are under the control of the statistical institutes, this is much less the case for re-used data, and this entails certain risks: concepts and definitions may be changed by the owners of the data, certain data collections could be discontinued or altered, etc. In order to ensure that the legitimate interest of statistics is taken into account, the position vis-à-vis the owners of re-used data (administrators, regulators or others) has to be reconsidered.

29. There are also challenges of a technical and methodological nature. The quality assessment of statistics will become much more complex. As an example: traditional quality measures (e.g. sampling error) will become less effective as data collection will make less use of sampling techniques. A new quality assessment methodology will therefore have to be developed.

30. Finally, at the level of the NSIs in particular there will be a need to review the internal organization in order to adapt it to the new circumstances. Staff qualifications will have to match the new requirements (e.g. in terms of technological and communication skills). New staff with different qualifications has to be recruited and current staff will need to participate in advanced training.

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