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User relations

### Official statistics: stakeholder engagement, user consultation and the planning process

Note by the United Kingdom

#### *Summary*

Effective mechanisms for user consultation on statistical work programmes and, more particularly, arrangements for good stakeholder engagement, are essential for efficient and effective planning by national statistics offices and for the delivery of statistics which are fit for purpose.

This paper considers options for consultation mechanisms, including the setting up of the necessary infrastructures, to take proper account of users' requirements.

Keywords: use consultation, stakeholder engagement, planning, advisory committees, theme working groups.

## I. Introduction<sup>1</sup>

1. Paragraph 82 of the 2003 International Labour Organization (ILO) Resolution<sup>2</sup> on CPIs (Consumer Price Indices) lists the responsibilities that national statistical offices have to consult users. But the Resolution doesn't provide prescriptive or detailed advice on the principles and mechanisms for stakeholder engagement and management.

2. Paragraph 82 of the ILO Resolution states that.

“The agency responsible for the index should consult representatives of users on issues of importance to the CPI, particularly during preparations for any changes to the methodology used in compiling the CPI. One way of organizing such consultations is through the establishment of advisory committee(s) on which social partners, as well as other users and independent experts, might be represented”.

## II. Background

3. Statisticians are attempting to measure and explain in an increasingly complicated world. There is, for instance an increasing connectivity between the economy, society and environment of an individual country and also between countries. In addition there are an increasing number of supra-national bodies. Also this interconnectivity exists at geographical levels other than the global and national – there is a complicated interplay between, for example, regional, national and local economies.

4. The world is also becoming increasingly complicated for the statistician, for example, through the fragmentation of many of the structures that endured until relatively recently. For example the concept of the nuclear family, of ‘traditional’ households, and of discrete businesses has long gone, replaced by diverse family structures, and of enterprises which often trade within, as well as between, themselves – often across national boundaries.

5. In addition, the relationship between ‘government’ – institutions of the state - and citizens and business, is changing. This has implications not only for the collection, compilation, analysis and presentation of official statistics but also for user needs. For instance, different statistical demands arise from the different needs resulting from the varying degrees of central control and devolution to regional government. Whilst these debates are often couched in terms of their implications for the provision of well-understood services to the citizen – such as access to health care, education, the criminal justice system – they also have implications for statistics, both directly and indirectly.

6. At the same time the public perception of professionals, including statisticians, has changed markedly, with few escaping open questioning – about standards, motives and integrity. The fact that commentators in the media and academia have become increasingly

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<sup>1</sup> Note prepared by David Fenwick. D. Fenwick was a Government Statistician and member of UK the Senior Civil Service. As a senior manager in the UK National Statistics Policy Group, he was a member of the UK Independence Programme Board, which facilitated the move of the UK Office for National Statistics into a non-ministerial Department) and also chaired the Government Statistical Service Committee on Governance and Structures. Other responsibilities included the production and development of consumer price indices. He was chairperson of the UK Consumer Prices Index Technical Board and more recently Editor in Chief of the UN Supplementary Handbook on Consumer Price Indices for Developing Countries.

<sup>2</sup> Resolution concerning consumer price indices adopted by the Seventeenth International Labour Conference of Labour Statisticians, 2003

knowledgeable and vociferous, and better equipped to hold the statistical community to account, has put pressure on the statistics profession.

7. This makes user consultation both more important and more complex.

### **III. The general principles of consultation**

8. Three principles underlie effective consultation.

(a) Clarity over who is being consulted, about what issues and for what purpose.

(b) Simplicity in presentation of the issues, in particular well structured documentation which effectively summarises the key points.

(c) Transparency in the process, including records being kept of all the documentation including user views and subsequent discussions and actions plus a record of the decision and the arguments supporting it.

9. In addition it is important that allowance for user consultation needs to be built into the process for establishing future work plans, including the resources and time needed for the period of consultation.

10. It is also important that consultation arrangements relating to the CPI are put in the public domain. This protects the integrity of the index and the processes associated with its development and production.

#### **A. User consultation and budget planning and setting future work programmes**

10. User consultation should be seen as part of a more general consultation process relating to setting priorities for the overall statistical work programme of a central statistical office. The latter would cover all outputs and be a fundamental part of the process of making bids to the finance ministry for resources. The consultation arrangements will depend in part on the degree of centralisation of the statistical system and, more particularly, on the governance arrangements operating locally.

11. Thus consultation may be undertaken for three purposes:

(a) At a high level, as part of good governance arrangements and achieving value for money in the delivery of user needs, normally in the context of the statistical programme as a whole. For example, where this is a responsibility of the national statistician, or where there is a Statistics Board with a statutory obligation to consult users as part of a planning and reporting function to Parliament. It is assumed that the CPI would be a part of any such general arrangements.

(b) Bidding for resources for a future work programme as an integral part of the planning process. This will need to be timed to fit into the formal planning round as directed by the finance ministry.

(c) Allocating funds between different elements of a work programme once the overall budget has been determined. This may be in the form of a formal consultation on a draft statistical work programme. A clear indication should be given of the extent to which there is flexibility to amend the draft programme.

## **B. The special status of the CPI**

12. The CPI is one of the most high profile statistics produced by a statistical office and is used for a multitude of purposes. Its scope and definition, together with the detailed methodologies applied, can have far reaching consequences for the management of the economy, for government expenditure and for the living standards of individual citizens. In establishing consultation arrangements due recognition should be given to any obligations on the Government and its relationships with Parliament arising from the CPI being used for the indexation of tax allowances and of pensions and benefits, and any obligations directly arising from legal issues resulting from the CPI being the reference index for index-linked gilts. For instance, recognition needs to be given to a position where proposals might potentially conflict with the intentions of parliament with respect to legislation relating to the indexation of state pensions and benefits.

13. Such circumstances warrant special consultation arrangements in addition to those in place for government statistics more generally and which have been described above. It can be argued that there is a particular obligation on CPI producers to consult users on any changes which may impinge on the scope and definition of the CPI and give due regard to the views expressed and to the legal basis of the CPI. This may act as a constraint on the continued development of a CPI used for indexation. In contrast, it can be strongly argued that decisions on issues relating to the detailed statistical methodology used to compile an index of a given scope and definition fall within the remit of the statistician as long as the agreed scope and definition are not compromised. Clearly, this doesn't preclude the statistician from seeking advice from other experts such as from academia and expert users, on the relative merits of different methodologies, for example via a technical expert group. There are also merits in publishing the conclusions of such a group before coming to a final decision on methodology - publication facilitates wider user engagement and helps to maintain user confidence in the technical quality of the index.

14. In this connection, for the CPI a useful distinction can be made between.

(a) Scope. This refers to the breadth and coverage of the CPI in terms of population and expenditure. For example, whether the expenditure of visitors from abroad should be included.

(b) Definition. This establishes what the CPI should measure. Essentially it prescribes the conceptual basis. For example, whether it is a cost-of-living index or a measure of pure price inflation.

(c) Methodology. This refers to the statistical techniques used to collect data and construct the CPI in the best way which is compatible with its scope and definition. The focus of methodology is on implementation.

15. Methodology is a purely statistical matter where it can be argued that user consultation is not appropriate (although some form of peer group appraisal may be). In contrast, it will be appropriate to consult users on scope and definition. Transparency of processes is particularly important.

## **C. Mechanisms for user consultation**

16. A number of mechanisms can be exploited for engaging users such as, on-going user groups (for instance a CPI Advisory Group), one-to-one consultations with key users such as the finance ministry or central bank (using a system of "Key Account" holders in the statistical office), especially convened user forums and other regular meetings with users. General consultation via inserts in statistical journals and on the official statistics website

can also be effective and may have the advantage of reaching more customers. Consultation on the make-up of a future work programme may include an overview of what the official statistical office itself sees as the main priorities from previous discussions. Some of the possible mechanisms for user consultation are explored in more detail below. The paper first describes advisory committees – which in this context are taken to be formal mechanisms for forward work planning and for implementation of change. It then goes on to address stakeholder management more generally, and, in particular, the role of “key account” holders and “thematic” working groups.

17. In some countries these consultations mechanisms are embedded in law.

## **D. Advisory Committees**

18. Issues to be decided in setting-up an advisory committee include.

(a) Whether the CPI advisory committee should be a standing committee, that is, one which meets regularly and is not time-limited and which looks at the continuous development of the CPI and has scope to decide on which issues warrant consideration and to initiate work. The alternative is an ad hoc committee which is only convened when a particular issue arises on which advice is required. The arguments partly depend on the governance arrangements relating to the CPI and other official statistics. In particular, the arguments will be influenced by whether there is a formal committee structure in place for statistical assessment of the central statistical offices outputs and for putting together future work plans and the extent to which a standing CPI advisory committee fits into this structure.

(b) Whether the remit extends to scope and definition or is restricted to methodological issues. For instance, whether the committee should pronounce on whether the current scope is the appropriate one for fitness of purpose when taking into account the uses of the index. A reference to this has been made in an earlier paragraph.

(c) Who convenes an advisory committee and decides on membership and who should it report to. If the committee’s remit is restricted to methodological issues then it should be the national statistician or his or her representative. But consultation on membership is likely to increase the acceptability of the committee in the eyes of users. It is less straight-forward where the remit extends to scope and definition.

(d) The make-up of the committee. In particular, whether it should be restricted to price index experts from academia and statistical offices or should include the main users. The answer to this depends on whether the view is taken that the advisory committee is essentially a group of experts whose function is to look at detailed methodological issues or whether it has a broader remit to investigate issues relating to scope and definition. If the latter, a common practice is to appoint a broad-based committee and nominate a technical sub-committee to give advice on the more technical issues which arise. The inclusion of non-government users and experts helps to reinforce the “independence” of the committee, and the inclusion of non-technical experts, such as employers and trade union representatives, provides not only a helpful user perspective but also helps users to understand the practical constraints of index production and the inevitable compromises that sometimes need to be made. It can add to the perceived integrity of the index.

(e) Who decides on whether to accept the recommendation, or should the conclusions be binding? The answer to this depends to a large extent on the answers to the first three bullet points listed above. But professional and methodological issues should be under the remit of the national statistician.

19. It is important that advisory committee reports are properly structured with a clear statement of the issue, an evaluation of the options and the arguments supporting the final recommendation. Arrangements should be transparent and the publication of background papers and discussion, as well as the terms of reference and final recommendations, should be the norm.

20. Operational arrangements will normally lie with the central statistical office which would provide a chairperson and a secretariat. The national statistician should consider chairing an advisory board especially when the issues under consideration are particularly important or sensitive.

**E. Stake-holder management**

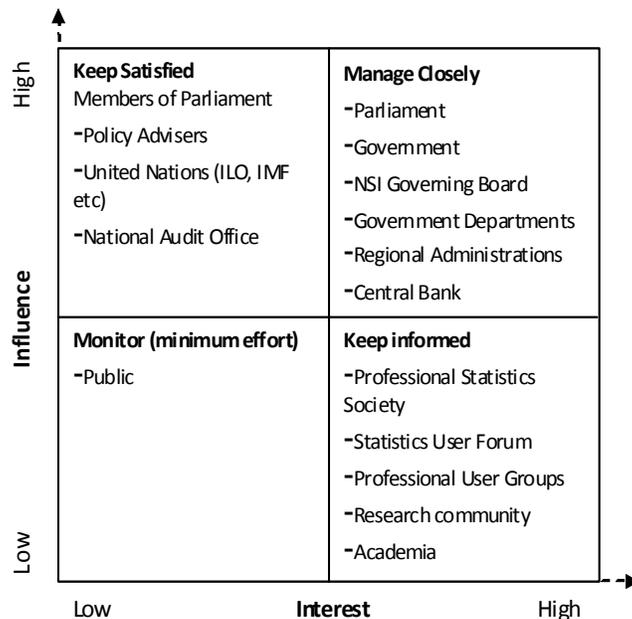
21. Common components of a stakeholder management strategy include:

- (a) Identifying the different types or groups of stakeholders.
- (b) Determining the objectives for the relationship with each group.
- (c) Developing processes for delivery and feedback.

22. A possible taxonomy for the identification of stakeholder is given in the figure below and can be used as the basis for a stakeholder engagement and management strategy. The extent to which this particular taxonomy is appropriate for a particular country depends on individual circumstances. For each category a clear understanding needs to be arrived at on why stakeholders - who may also be producers - need to be engaged. For example, this may be for information sharing, building partnerships (for instance where a body provides expenditure or prices data), obtaining empowerment and influence (particularly with influential stakeholders) or consultation. If the latter then it may be more appropriate to include the stakeholder in the more formal processes of user consultation already described above.

Figure 1

**Stakeholder Engagement and Management Matrix**



23. Possible mechanisms for stakeholder engagement and management include.

(a) A system of “key accounts”. This is where a senior member of the national statistics institute - or “key account” holder - is given the task of managing external bilateral relationships with key stakeholders, that is, with those stakeholders who are influential and have a major interest in official statistics, more often than not because they have a heavy dependency on them. Candidates for “key accounts” may include government departments with responsibility for managing the economy, the finance ministry and the national bank. Key accounts usually cover all the statistical interests of the key account holder and normally would not be restricted to one particular output from the national statistics institute. Thus a “key account” would not normally be set up to manage the interests of a particular organisation solely in the CPI.

(b) Thematic Working Groups. These would normally be led by the national statistics institute and they work on the philosophy that there are distinct and heterogeneous groups with an interest in particular themes such as “the economy”. The thematic working groups can provide a proactive forum for bringing users, producers and other interested parties together for information sharing and to discuss how the official statistics produced by the NSI (National Statistical Institute) can better meet user requirements for particular generic themes. Thematic Working Groups can be used as a user consultation or planning mechanism or both. Their success depends not just on the appropriate grouping of themes and choice of membership but also on effective governance and reporting arrangements being in place. It is argued that thematic working groups facilitate the greater integration and coherence between different data sets so that compatible information relating to specific subject areas, such as “the economy”, can be drawn from multiple sources. It is also argued that thematic working groups are more customer orientated than, say, working groups associated with different data sources, such as “household budget surveys. A more detailed discussion on thematic working groups follows in the next section which also covers user forums and councils.

24. Less informal mechanisms may be more appropriate for managing less influential stakeholders with not such a major interest in the CPI. This could include a facility on the national statistics institute official website for members of the public to log issues, advertisements in the newspapers requesting feedback and postal or face-to-face surveys of the general public. For instance, the Australian Bureau of Statistics is currently undertaking a major review of its CPI and the following was placed on its website.

Figure 2

All Headlines  
CPI rises 0.5% in the December quarter 2009; rises 2.1% through the year (released 27 January 2010)  
Spotlight on...



CPI up for review – have your say  
The ABS is currently undertaking a major review of its Consumer Price Index. As part of the review process, the ABS is providing an opportunity for user involvement in the evolution of the CPI. Organisations and individuals are invited to contribute to any topic of the CPI review. Find out more.

25. An opportunity for members of the public to give general feedback on official statistics generally and on specific issues is offered by the website of the United Kingdom Office for National Statistics.

Figure 3

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## **F. User or thematic working groups and user forums or councils**

### **1. User or Thematic working groups**

26. Under this arrangement the expectation would be for each group to have its own terms of reference which will reflect the background to the particular theme being addressed, for instance the governance and production arrangements under a devolved statistical service. But the key responsibilities will be generic. For instance, generic terms of reference might read as follows.

- (a) To contribute to the National Statistics Work Programme.
- (b) To report on progress against Work Programme in National Statistics Annual Report.
- (c) To identify those areas which warrant a National Statistics Quality Review and determine the most appropriate timescale for the reviews to take place.
- (d) To carry out regular consultation with users, to inform the Work Programme.
- (e) To consider and report on periodic 'challenge' issues submitted to it by the National Statistician and or the National Statistics Planning Board.

27. A number of other fundamental questions arise relating to the use of thematic working groups.

(a) User consultation or planning mechanism or both? These are distinct activities but user consultation is, of course, a precursor to planning. User engagement involves both consultation and planning, particularly so under a decentralised statistical service where most departments will be users as well as producers of statistics.

(b) Decision making or advisory? It is difficult to envisage these groups as decision making bodies as this is likely to be at odds and undermine the overall governance arrangements relating to the government statistical service. Thematic working groups are likely to be seen as advisory.

(c) Reporting arrangements. The governance structures of thematic working groups need to be clear and regularly re-enforced to ensure that they are an effective and influential part of any planning mechanism. The two most important points are that there should be clear reporting lines and accountability and that the reporting arrangements need to be compatible with the governance arrangements of the government statistical service (see previous bullet points).

(d) Producer or user group or both? The answer to this is partly dependent on the views taken on the issues raised by the first two bullet points.

(e) Stakeholders within the government statistical service or wider? It can be argued on practical grounds that where the statistical service is decentralised, membership of thematic working groups should be restricted to the government statistical service, i.e. that the thematic working groups' most important function is to bring together government producers and users of statistic on a particular theme. If this view is taken then it does mean that other mechanisms need to be in place for wider consultation. The membership of the thematic working group also needs to fit in with other mechanisms for user consultation, for example where departments have committees with broad-based remits representing regional administrations.

(f) Rank or level of representation, particularly for officials. This is dependent on the answer to the second bullet point. But whatever, members will need both to be able to

speak with “authority”, be knowledgeable about the subject area and be competent in representing the views of departments on strategic issues and, where appropriate users.

28. The advantage of user or thematic working groups over working groups organised around particular data sources is that they better facilitate the coherence and integration of data from different sources. Thematic working groups therefore have the potential to add greater value.

## **2. Statistics user forums or councils**

29. A Statistics User Forum or User Council can provide an umbrella organisation for bringing together user or thematic working groups and organisations with interests across all official statistics. The focus will be broader than for a thematic working group. For instance, in the United Kingdom, a Statistics User Forum was established in 2004, with Economic and Social Research Council funding, to ensure that there were appropriate mechanisms for consulting and taking into account the needs and views of the statistical user community. The main objectives of the Statistics User Forum are to.

- (a) Be proactive in identifying the issues of concern to the statistics user community.
- (b) Share expertise on issues of common interest.
- (c) Establish and support an appropriate and accessible user group structure.
- (d) Co-ordinate user community views.
- (e) Establish and maintain mechanisms to influence policymakers and producers of statistics.
- (f) Encourage synergy between the user groups.

30. For further information see the *Royal Statistical Society website*.

## **G. Regional government and administrations**

31. Planning and prioritising of statistical work is largely dictated by policy needs so it is vital that the processes in place reflect local administrative arrangements including the role of regional government, particularly where there is some devolution and autonomy in the production of statistics. Consultation arrangements need to ensure appropriate liaison between and with regional administrations to ensure that national, regional and indeed international needs are met. This may involve special consultation arrangements between central and regional governments or administrations. It also implies that consideration may need to be given to formal links being set-up between the user networks across regions, for example on cross-cutting issues relating to the statistical system as a whole.

## **H. The risks associated with user consultation**

32. The main risk of any process of consultation is in not being able to accommodate all users’ needs. Indeed, it is unusual for a statistical office to have the budget and means to be in a position to accommodate the wants and desires of all potential users of official statistics. Against this there is, of course, the risk of not consulting and producing statistics which are not fit-for-purpose and thereby suffering reputation damage.

33. There is also the risk that users will have an unrealistic expectation of what statistics the statistical office can produce. In this regard, it is important to manage user expectations by presenting a clear and robust message on the need for realism and that difficult choices

may need to be made, when set against the fact that budgets are not unlimited. It is also important to explain to users the basis of decisions. This will be helped if there is a transparent process for the allocation of funds. The latter should be supported by a set of criteria for determining priorities. For instance, whether the central theme is to improve current outputs or to produce more or whether the priority is to produce more regional data, say, or to increase coherence between different statistics. This applies both to a specific programme, such as the CPI, and to the statistical programme as a whole.

## **I. Work programmes: planning and reporting**

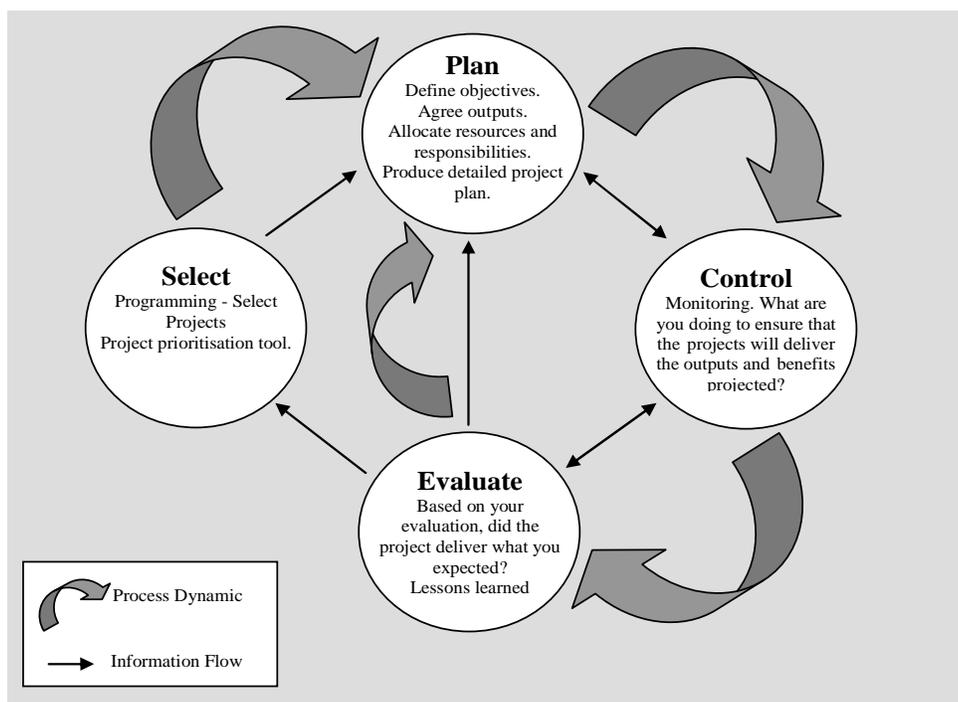
34. The putting together of a CPI statistical work programme - which is part of a higher-level system of programming, planning and reporting in a statistical office - is essential for the continued development of a CPI. In this connection it is worth noting that the European Statistics Code of Practice declares that one of the key indicators of compliance with Principle 1 of the European Code relating to Professional Integrity is that “statistical work programmes are published, and periodic reports describe progress made”. Consultation mechanisms can be seen as part of the planning and reporting function.

35. At its most basic a CPI or any other statistical work programme should.

- (a) Outline the objectives and outputs.
- (b) State a timescale.
- (c) List the steps to be taken to deliver these.
- (d) Allocate a budget.
- (e) Identify who has responsibility for delivery (accountability).

36. There should also be an effective control system to monitor progress and take action as necessary, in compliance with best practice project-management principles. An evaluation should be undertaken to determine whether objectives and outputs have been delivered within budget and preferably should be undertaken by a different person from the one who has responsibility for delivery. The latter adds to the credibility of the system but may be difficult with the CPI where the number of experts within the office may be limited. Evaluation also provides an opportunity to learn from experience. The evaluation of outcomes is also likely to involve further consultations with users. Thus user consultation can be seen both as the start and the finish of the process of continual development of a consumer price index – a forward work programme to ensure that the index continues to be fit for purpose. This cycle of consultation, programming, planning, delivery and evaluation can be represented by the following diagram.

Figure 4



## J. Conclusions

37. Producers of consumer price indices have a responsibility to ensure that the underlying data, and the corresponding indices which are compiled from the data, are.

- (a) Robust and of good quality.
- (b) Appropriate, and relevant to the needs of our customers.

38. Robust mechanisms, for consultation with customers, are a necessary condition for the successful delivery of user needs and of a CPI which continues to be of relevance – that is in fulfilling the second bullet point. This paper has described in general terms some best practices for user consultation and has discussed how user consultation fits into the overall planning process, both in determining user needs and in evaluating whether these needs have been met.

## IV. Reference

Practical Guide to producing Consumer Price Indices: Published by UNECE (United Nations Economic Commission for Europe), 2009. An electronic version is available on <http://www.ilo.org/cpi-manuals>.