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New PIAAC study coming up – to measure abilities among adults

Dec 18, 2018

Theme: Nordic statistics - frontline defenders of truth



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EDITOR-IN-CHIEF

Berit Kvam

EMAIL

njeditor@gmail.com

WEB

www.arbeidslivinorden.org

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Do we have the statistics we need?

”What we measure affects what we do. If we measure the wrong thing, we will do the wrong thing. If we don't measure something, it becomes neglected, as if the problem didn't exist.”

EDITORIAL

17.12.2018

BY ACTING EDITOR BJÖRN LINDAHL

The quote is from the fresh OECD report “Beyond GDP” which looks at how statistics presents reality. Would politicians have acted differently during the latest big economic crisis if they had not only focussed on growth but also on how it is being shared?

Statistics is the foundation for both the political debate and for the social partners when they negotiate new collective agreements in the Nordics.

If politicians and other stakeholders lose their faith in statistics on growth, price development and wages, it will become harder to govern society. A lot of time would be spent on arguing over facts rather than discussing realities.

This month's theme is the Nordic statistics agencies. Are they, like Statistics Norway writes in its annual report, the frontline in the defence against fake news?

“Some people still doubt the Earth is round,” sighs the Director General of Statistics Finland, Marjo Bruun, at the same she is proud of a new cooperation where Finnish statisticians will help fact-check politicians' pronouncements ahead of the next election.

In Europe there is close cooperation between the central statistics agencies. Together they represent an army of 50,000 statisticians. Like doctors, statisticians follow very solid ethics.

The European guidelines for statistics say the national agencies should be independent from both political and business influence. Statistics should not only be correct. It should be announced in advance of publication, so that those who govern cannot suppress or delays certain statics.

The independence of Statistics Norway became the centre of attention during a spat between the Minister of Finance and the agency's director in late 2017 and early 2018. In 2019, the government will present a new proposal for statistics legislation. In it, Statistics Norway's independence will hopefully be even more solidly anchored.

Governments both decide which statistics should be carried out and they provide the budgets. But the agencies and their staff should be free to choose the best method. A lot of statistics is politics, which Iceland's CO₂ emission figures show. Do Icelanders really emit more CO₂ per capita than any other European citizens?

It is important to know where to record emissions from air traffic. Should the carrier's headquarters decide which country is burdened with the emissions? Does only air traffic in your own air space count? Is it more important to consider the nationality of the tourists, or where the tourist destination is?

When it is uncertain what the statistics actually cover, it is important that all relevant information about how things are recorded is also presented.

There has been a revolution over the past decade in how average citizens can access statistics. Attempts at making money on statistics has rarely been a success, however. The main point is that statistics are worth more the more people share it.

National statistics gets better with cooperation with Europe and the world. It is important to coordinate statistics and make it comparable, like in the new Nordic database where you can also look at integration based on country of origin.

The Nordic countries are often in the vanguard, like in Denmark where access to microdata is very good. Information can be gathered all the way down to an individual level.

But international cooperation is also a marathon, where stamina is the important thing. Take the major PIAAC project, which measures adult skills. Last time the study was carried out, it was based on 166,000 interviews across 23 countries. Now the second round has just started.

Picture of Geir Axelsen

2018 – a trying year for Statistics Norway's independence

Statistics Norway (SSB) did not hold back in its description of itself in its latest annual report: "SSB acts as Norway's first line of defence in the fight against fake news by providing objective and relevant statistics, research and analysis to help understand Norway," it says.

THEME

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TEXT: BJÖRN LINDAHL

Meanwhile, the latest year has been one of the most challenging in SSB's history. In November last year, the former director Christine Meyer stepped down with immediate effect. Two days earlier, the Minister of Finance Siv Jensen had said she no longer had confidence in the statistics director.

It all stemmed from a disagreement on how SSB organised its operations. This is how the annual report described the situation:

"SSB operates and maintains around 300 different statistics production systems. Large portions of this system portfolio are outdated and consist of fragmented and inadequately documented tailored solutions."

As a result, the agency was going to be modernised. The aim was for SSB to produce more analyses and share more data with users, but with a reduced staff.

With more than 850 employees, SSB is the second largest of its kind in the Nordic region, after Statistics Sweden which employs 1,300 people. SSB has a research department with 80 full-time jobs, which analyses the state of the market amongst other things. In other countries, like Sweden, this job is often performed by other institutions – in the Swedish case, the National Institute of Economic Research.

The precondition for the reorganisation was that SSB would use its own budget to finance a large part of it.

The statistics gathering process will be completely digitalised; both the gathering of data and the distribution and presentation of the statistics. A prerequisite was that the reorganising of the statistics departments should create robust centres of expertise both in Oslo and in Kongsvinger, where nearly 40 percent of the employees work.

The research department at the centre of the storm

The reorganisation also included the research department, and this is where things turned sour between the Minister of Finance and the statistics director. The latter wanted to move one of the researchers, who had been central in calculating the future cost of immigration to Norway, from the research department to the statistics department. This was viewed as a demotion. No written documentation was presented when parliament held a public hearing in January about what had happened, to prove that the immigration researcher's fate was the reason the Minister of Finance lost confidence in the statistics director.

According to Christine Meyer, the signals from the Minister of Finance had been informal in nature, including things that were said during a dinner. She told parliament that Minister of Finance Siv Jensen in "reality forced her to step down, with no regard to legislation and regulations."

LO and NHO uneasy

But the reorganisation also worried the Norwegian Confederation of Trade Unions LO and the Confederation of Norwegian Industries NHO. Both joined forces to warn that the process might threaten the tripartite cooperation between the state and the social partners. SSB is an important provider of statistics covering both price and wage developments, in addition to its economic market reports.

The conflict between the Minister of Finance and the statistics director got broad media coverage – the number of media stories about SSB increased by 76 percent during 2017. Since the public hearing ended in January, it has been quiet however.

At the end of 2017 it was decided to reverse the decision to make changes to the research department. After a couple of temporary leaders, Geir Axelsen – a former state secretary for the Labour Party – was appointed director in May this year.

No signs of drama

When the NLJ visits SSB in Akersveien 26, it is hard to spot any of the drama. The statistics agency has a view over Vår Frelseres Gravlund, a cemetery where many famous Norwegians are buried, including Henrik Ibsen, Bjørnstjerne Bjørnsson and Edvard Munch. We have passed the pink “rhubarb palace” where poet and nationalist Henrik Wergeland lived, before we enter the unpretentious brick building.

The security is modern and up-to-date when you enter the SSB offices, but the walls are full of enlargements of black and white pictures from the 1800s.

In Geir Axelsen's office an entire wall is also covered with a huge photo of what we presume to be some of the agency's first female employees, sitting in a library. The bookshelf under the photo, however, is still empty.

Geir Axelsen is not surprisingly careful with commenting on what will happen to the research department.

In March, the so-called statistics law committee presented its report on the contents of the statistics legislation. The current legislation was written in 1989, before the internet. Since then, there have been several other changes too. The government will present a proposal for new statistics legislation in 2019.

SSB will continue to do research

“In our comments to the report we argue the case for SSB to continue to carry out research and that economic cycle analysis is one part of what researchers should be doing. But we have nothing more to add beyond what is written in our comments,” says Geir Axelsen.

“This is now an issue for the government, and they must decide the pros and cons with that solution. When the proposed legislation is presented, we will have to relate to that.”

The report says that “a public conflict between an administrative agency and the ministry it belongs under is unusual” and that the SSB “has never experienced a situation like it.”

“But it does not seem fair to explain this conflict as a problem with operations” the statistics report concludes. It still points to the fact that uncertainty remains around “the extent of professional independence” enjoyed by SSB.

“It is important to me and my staff at SSB to underline the need for professional independence. We presume this will be central also in the proposed statistics legislation,” says Geir Axelsen.

EU also part of the picture

How SSB is run is not only an issue for Norwegian authorities. Through the EEA agreement, Norway is also a part of Eurostat, the EU's statistics cooperation. Statistics on a country's GDP is being used as a basis for the funding of the EU, so it is imperative that the statistics are correct and that the statistics agencies are shielded from political influence.

“In my experience SSB enjoys great trust and that is our most important capital. It takes a long time to build trust, but it can be quickly broken.”

Although the description of SSB as being the first line of defence in the fight against fake news was written before his time, Geir Axelsen says he fully supports it.

“But our task is of course not to argue or participate in a political debate with politicians or heads of state for that matter. This is not our mission. We will deliver facts, which others can use if they want to.”

Essential for democracy

“To enjoy a high level of trust, to deliver a high quality product, to be professionally independent and all the time present a correct version of facts about Norway compared with the rest of the world – this is essential for democracy since it makes it possible to have an informed public debate and to make good political decisions,” says Geir Axelsen.

It is, however, not an aim that can be reached once and for all, since both Norway and the rest of the world changes all the time. New statistics are always needed.

“We have to continuously decide which statistics portfolio we need to maintain, to keep in step with how society develops. Digitalisation and globalisation represent particular challenges which makes it harder to produce good numbers. Online shopping is one of those areas. Right now we are establishing a separate unit for large, complex companies operating in Norway. We must make sure we have the correct numbers for value creation, income and expenses.”

Statistics on large, complex companies

Platform companies like Uber and Airbnb, as well as search engine companies like Google, create head aches for the statisticians.

“Normally you measure the activity in a company by looking at the limit order price – how much it cost to produce the latest unit. But how do you measure an internet search which hardly has any measurable cost at all?”

“New business models are being developed all the time, but the fact that the limit order price is small is not entirely new. Think about radio, which has been around for a while. Getting one extra listener doesn't incur any extra cost either. So we have seen this before, a network economy with a zero limit order price.

“But it is exciting. Our challenge is to keep up with developments and find new and good sources for statistics.”

How important is it that Norway, through the EEA agreement, is also a part of Eurostat?

“This is important for several reasons. Firstly, this sharing of knowledge improves quality. You have a professional method debate where you make comparisons between different countries. You learn from each other's challenges, and therefore this kind of community is important.

“But statistics become even more interesting when you can compare with another country. It increases the interest thanks to the fact that you compare apples and apples. You simply add to the knowledge you already have,” says Geir Axelsen.



Denmark leads the way on statistics using microdata

When it comes to statistics, Denmark is leading the way in the Nordics as well as internationally. Half a century of data-gathering from personal information registers provides detailed statistics about Danes and their working lives.

THEME

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TEXT: MARIE PREISLER, PHOTO: BJÖRN LINDAHL AND SSB

Denmark has been gathering extensive data on Danish society since the 1970s, including information about the labour market. The data is unusual both in a Nordic and international light, in that it contains a huge amount of microdata – detailed information all the way down to an individual and company level, which researchers are free to use for research and analysis, explains Niels Ploug, director of social statistics at Statistics Denmark. It administers this gold mine of registers and microdata, which Ploug says provides close to endless research opportunities.

Popular research service

Statistics Denmark has shared its collection of microdata with researchers at authorised research institutions for more

than 30 years, and many make use of it – not least labour market researchers, says Niels Ploug.



Niels Ploug is the Director of social statistics at Statistics Denmark.

“Thousands of researchers have used our data sets, and our labour market data is amongst the most popular data with researchers.”

Statistics Denmark helps and advises researchers on which data they can access, and makes sure all data that is being used is “de-identified”, which means they are stripped of personal ID numbers. When data has been found and prepared, researchers can analyse it online, and collect their results. But no data ever leaves Statistics Denmark. Researchers pay for this research service. Data from other sources can be linked to data from Statistics Denmark’s registers, for instance data from researchers’ own collections or from other authorities’ registers.

Leading the way in the Nordics

Niels Ploug participates in Nordic and international forums of cooperation for statistics agencies, and in his experience Denmark’s access to and use of register data is leading the way both internationally and in the Nordic region.

“The other Nordic countries also allow researchers to access microdata, but the Danish system has been up and running longer than any of the others. Denmark leads the way when it comes to detailed statistical register information. No-one else besides us has access to this amount of register data and makes it accessible to researchers,” says Niels Ploug.

Denmark is in the lead because the country has a long history of collecting personal information about all citizens in a central register – *Det Centrale Personregister* (the central person register), also known as the CPR register. It was set up 50 years ago this year, and contains a unique number for each Danish citizen. That number functions as a key which Statistics Denmark can use to unlock doors between all other registers. This means that data can be combined in any way you wish. It is possible to coordinate nearly any registers in Denmark – from education, labour market and all other areas where citizens interact with the public sector. Some parts of the private sector, for instance banks, also use the CPR number as a register unit.

The authorities have also decided that all citizens should have a digital bank account – a so-called *nemkonto* – so that all economic transactions between citizens, companies (for instance salaries) and the public sector (for instance welfare benefits) can be registered electronically. All transactions are gathered by the tax authorities in an income register, which Statistics Denmark uses as input for new statistics.

This means that Statistics Denmark has very detailed register data on a large section of citizens’ economic transactions, which are also accessible for researchers and authorities in a form which is in line with Danish and European data protection regulations.

“In this way you can quickly create statistics about conditions in the labour market. We have for instance a monthly statistic for the number of wage earners – an important indicator for economic cycles – and we have also used income data to create a fine-tuned labour market account, which researchers and analysts are also free to use,” says Niels Ploug.

While Statistics Denmark is very strong on register data, the organisation is not equally good with qualitative data. Statistics Denmark conducts tailored surveys for paying researchers, but nothing more. This means that labour market researchers generally must use other data sources when they want to do research to gain knowledge about how workers and employers themselves experience conditions in the labour market.

“Since we are best at register data, we do not carry out many surveys. So we don’t have much data based on subjective considerations about things like Danish workers’ own experiences with well-being, work place pressure or stress. And our register data will only show whether workers are on sickness leave,” says the director of social statistics.

Data on development goals available for all

One of the latest offerings from Denmark Statistics is publicly available statistics on how Denmark is doing in terms of the UN sustainable development goals. Niels Ploug has been in charge of this work, and he is clearly proud of the result:

“As one of the first countries in the world, we are continuously producing and publishing statistics for how the UN sustainable development goals are being met, while also making this available to everyone in a tidy and easy to understand manner on our website. We have also created a partnership with close to 100 representatives from politics, business, the social partners and civil society, where we continuously discuss the way we present information and which development goal statistics are relevant to them.”

In 2015, the UN’s 193 member states agreed on 17 ‘Global Goals’ for Sustainable Development, or the SDG’s. They concern all the countries of the world, and the whole of humanity. They aim to create a sustainable world with less hunger and inequalities, more education and development, and a

sustainable use of the planet's resources. Statistics Denmark has set up a global goals platform on its website, where all the global goals are presented.

If you click on one of them, you are taken to a relevant statistic. By clicking on the global goal about the labour market, global goal number eight – Decent Work and Economic Growth – you find data covering how Denmark is living up to each of the partial goals that the UN has set up for this particular global goal.

“All countries must report these data to the UN, but rather than simply providing a closed report to the UN, Denmark has chosen to create a real global goal platform where everyone can see how Denmark is doing when it comes to living up to the global goals. This, and the partnership, is something no other statistics bureau in the world has set up, so far.”

See the global goals theme here

Openness and user friendliness is written in black and white in Strategy Denmark's goals, and the organisation has, in recent years, invested in presenting the facts in the best possible way to users and the public sector. A few years ago, the organisation got a new top boss, and the new national statistician has a clear agenda for how to present statistics, explains Niels Ploug.

This can be seen in places like social media, where Statistics Denmark is now active, while data from registers and surveys are presented to the general public through newsletters and press releases. Resources have also been spent on presenting data through creative and easy to understand information graphics. The national statistician also writes his own blog.

Danish data favourites

Statistics Denmark also offers other services covering the labour market, which other Nordic statistics agencies do not have. These are very popular, according to Niels Ploug. He points to a few favourites:

The labour market account – AMR

Very precisely follows Danes' movements in the labour market, divided into socioeconomic groups – the employed, students, the unemployed and other people receiving social benefits, children and young people and others outside of the labour market.

Created with the use of a range of registers, and the population's link to the labour market can be divided in to a number of time periods (year, quarter, month, week or day). This information is made available to government ministries and the social partners, allowing them to create detailed analyses.

Employment among wage earners – BFL

A short term indicator of economic cycles, and one of the most popular services from Statistics Denmark. The indicator illustrates the full-time employment among wage earners based on paid hours. The source is Statistics Denmark's income register based on tax authorities information, which will mainly include wage earners in Danish companies, including people who live abroad. BFL is also used when you need a quick indicator for the total wage earner employment rate. Data runs back to Q1 of 2008.

Statistics Sweden: new statistics on how different immigrant groups manage in the Nordics

Statistics Sweden (SCB) and its Nordic opposites have begun producing comparable statistics on how immigrants manage in the labour market, divided into country of origin.

NEWS

17.12.2018

TEXT: BJÖRN LINDAHL

For now, only data from 2016 is available in the new database with detailed and coordinated statistics from register data for the four largest Nordic countries. Statistics from Iceland are yet to come. There is also a selection of countries of origin – the 20 largest in terms of numbers of immigrants to the Nordic countries.

It all started when SCB was commissioned by the Ministry of Employment to produce a pocket guide on integration in the Nordic region. This proved to be more complicated than what the statisticians had thought.

Statistics on integration and the labour market has of course existed before, for all of the Nordic countries. But the figures were not quite comparable because the definitions were different.

Not declared before

“We have not declared these variables based on country of origin in Swedish statistics before, but this is something we know many might be interested in,” says Petter Wikström, who together with his colleague Karin Lundström has been responsible for SCB’s part of the project.

Besides statistics on country of origin and paid work, there is also statistics on education levels, study results and on people who neither work nor study. Certain information is not yet available for all countries, however. The charts will be updated annually.

The information can be found at www.nordicstatistics.org and is available for anyone. There are many other types of statistics on the site too, where Iceland is also represented.

“Not many equally comprehensive attempts have been made to compare countries’ identical groups of first and second

generation immigrants in terms of education, labour market participation and people who fall completely outside of the labour market. We have produced a fair comparative base,” says Vebjørn Aalandslid, senior advisor at Statistics Norway, which has been responsible for the project, with finance from the Nordic Council of Ministers.

Unique for the Nordic region

This ability to compare such detailed labour market statistics is unique to the Nordic region. Similar register data does not exist for other regions in Europe.

Producing statistic for different kinds of immigrant groups has been, and in certain cases remains, controversial. The Nordic statistics agencies stand out in terms of how far they are willing to go. The risk is that the statistics are so detailed and certain immigrant groups are so small that it becomes possible to identify individuals. Some also argue that the statistics could stigmatise certain groups, especially when it is presented in a more popularised form.

Statistics Denmark has its own editorial office – Behind the numbers – which popularises the statistics. As early as in 2002 they published an article called “Immigrants are more often criminal”.

“The crime rate among first and second generation immigrants is considerably higher than for the population as a whole, shows a report from Statistics Denmark which looks at the link between crime and national origin,” wrote Behind the numbers.

“Crime amongst men with foreign heritage was 38 percent higher than for all men in Denmark in 2000, and for women with foreign heritage the number was 27 percent.”

Explaining factors

The article discussed the reasons behind the difference. Immigrants are for instance younger than the average population, and receive more social support. These groups are linked to a higher level of crime generally. If you take that into account, crime rates are seven percent higher among men with foreign heritage, but one percent lower for women with foreign heritage, the article points out. At that time, it would not have been possible for any of the other statistics agencies to publish such an article.

Another controversial issue is how much immigration costs. Norway's Progress Party long demanded the publication of an "immigration budget". When Professor Grete Brochmann presented her two reports in Norway in 2011 and 2017 about the cost of future immigration, she used detailed statistics from Statistics Norway on immigrants from different countries of origin.

Controversial statistics

In Sweden, until just a few years ago, this was something researchers did not spend time on at all. Joakim Ruist, who is one of the younger, high profile researchers on the employment of immigrants, writes in his blog how he waited for four years before publishing figures he had calculated for how different groups manage.

"The estimations of refugee immigration's public financial costs which I presented at the beginning of 2015, I had calculated four years earlier," he writes.

He had done the calculations because it interested him.

"But I did not want to publish the figures then. The results showed that the costs were not much to worry about, so there was no need to publish them at the time," wrote Joakim Ruist in July this year.

The flow of refugees changed things

What changed was the large flow of refugees in 2015. New groups entered into the country, at the same time as the Sweden Democrats presented numbers for what they believed could be saved by shutting the borders. This made Joakim Ruist aware there was a need to present the facts. Just looking at previous immigration would be wrong, he believes:

"Solely looking at an historic average would give you a far too positive image, since the historical average is so dominated by former Yugoslavs, who have done better in the Swedish labour market than most other refugee groups.

With comparative Nordic statistics it will also become easier to see what might be linked to factors like country of origin, age, education and what could be influenced through political decisions.

"During the work with the Nordic statistics I have been struck by the differences in long-term integration," says Peter Wikström.

"In Finland and Sweden the number of immigrants in the workforce is highest among those who have been in the country the longest. In Denmark and Norway, however, the employment number is lower for people who have spent more than 15 years in the country than for those who have been there for 8–15 years," he points out.

Important to carry on with the project

Vebjørn Aalandslid at Statistics Norway says it is crucial to follow up the work on Nordic immigration and integration statistics.

"It is incredibly important since this type of project often ends up being detached. You carry out an analysis and it just becomes one moment in time. Good statistics must be able to follow developments over time and not only take snapshots," he says.

"For the countries' governments all this must be very interesting data which can be used to learn a little from each other. I think, for instance, that it makes sense to look at Sweden and ask what they have done to achieve so much higher employment numbers among Somalis who have been in the country for a long time, compared to Denmark and Norway," says Vebjørn Aalandslid.



Tourism pushes Iceland's CO₂ emissions to record levels

While many countries have managed to cut their climate gas emissions, Iceland has seen a marked increase in recent years according to the latest data from 2016. That year, the per capita carbon dioxide emissions were 16.9 tonnes. The EU average was 7.3 tonnes per capita.

THEME

17.12.2018

TEXT: GUÐRÚN HELGA SIGURÐARDÓTTIR, PHOTO: INSPIRED BY ICELAND

Iceland now has the highest per capita pollution in Europe, according to Statistics Iceland. The emissions mainly stem from increasing air traffic and heavy industry, plus shipping to and from Iceland.

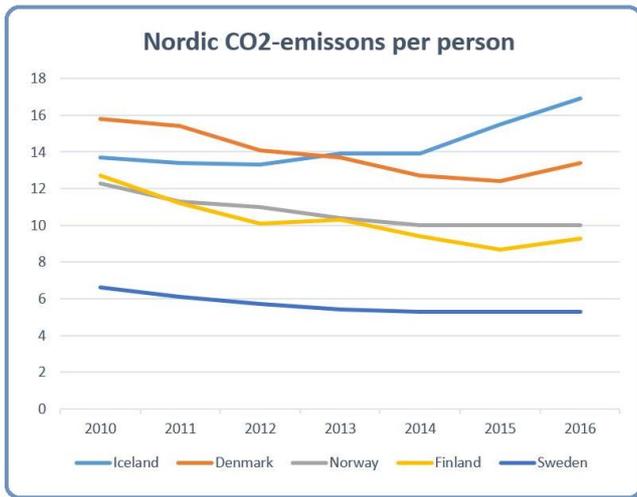
Statistics Iceland compiles the numbers according to Efta rules, which also include air traffic.

Þorsteinn Aðalsteinsson, a specialist in environmental statistics at the agency, says Iceland's high emissions are due to the country's position in the middle of the Atlantic. The only way of getting to Iceland is by boat or plane. Technically, boats do not pollute that much, while pollution from planes is massive.

"Icelanders have been happy with the increase in tourism, and with the fact that so many tourists fly with domestic carriers. That traffic is part of these numbers," he says.

A small population

Iceland has three aluminium plants and one ferrosilicon plant (Járnblendistö). They are all there because of the access to renewable energy. This production leads to fewer emissions than similar industry elsewhere. Emissions would be double if the same heavy industry was situated in a different country, because of Iceland's renewable energy, claims Þorsteinn. Iceland does not need to burn coal for production.



While Norway and Sweden keep their emissions on the same level, they have increased in the other Nordic countries, with Iceland in the lead 2016. Source: Statistics Iceland.

Albert Sigurðsson, who works with business statistics at Statistics Iceland, points out that Iceland is experiencing a boom right now, both in terms of population growth and economically. Other countries too have seen an increase, but it has not been as rapid as that in Iceland.



Þorsteinn Aðalsteinsson and Albert Sigurðsson, both at Statistics Iceland.

“Iceland also has so few citizens that the country often gets high per capita scores in international comparisons,” says Albert Sigurðsson.

Kyoto shows a different picture

Icelandic households also have high emission levels because of high levels of car use. There are no trains, and distances are big.

“Pollution from cars is higher than what is desirable. We have managed to cut pollution, but not as much as we would have wanted, says Þorsteinn Aðalsteinsson.

Air traffic, industry and shipping also contribute to Iceland’s position as a top polluter in Europe. But if you look at the kinds of pollution covered in the Kyoto protocol, you get a completely different impression since this is less comprehensive. If you take away air traffic, industry and shipping, Iceland’s pollution levels are at less than 4.7 tonnes per person, if you do not include agriculture and forestry.

Two different things



Kristín Linda Árnadóttir, General Director at the Environment Agency of Iceland, says comparing figures from Statistics Iceland and data from the Kyoto protocol is not realistic, since they show two different things. She says that the EU is trying to cut emissions in Europe as a whole. Right now work is being done on how to measure pollution from air traffic and shipping.

“How to classify air traffic, for instance, is complicated. Many planes fly via Iceland between Europe and Northern America. We now know that only domestic carriers’ emissions are counted as part of Iceland’s emissions, not foreign carriers, according to the international CORSIA system,” says Kristín Linda.

Icelanders are interested in environmental issues, and Kristín Linda believes they are aware that Iceland has the largest per capita emissions in Europe. Opinion polls show people feel the government has not taken enough initiative.

“The Minister for the Environment has now presented an environment action plan which has led to great expectations. We must show some better results,” she says.

OECD: Politicians put too much trust in the GDP

Do we have the necessary statistics to govern our societies in the best possible way? Or is a blind trust in statistics to blame, at least indirectly, for the collapse in trust in authorities after the financial crisis? Before dismissing this as a conspiracy – the theory was presented by none other than the OECD.

THEME

17.12.2018

TEXT: BJÖRN LINDAHL

In a new report – "Beyond GDP" – economists like Joseph E. Stiglitz, Jean-Paul Fitoussi and Martine Durand ask whether politicians have been blinded by focusing too much on GDP. The three have led a special group within the OECD working on how to measure economic development.

After the 2008 finance crisis, it only took a few years before United States' growth was as high as before the crisis. But the GDP told us nothing about how this growth was distributed:

"In the United States, 91 percent of all the gains in income in the first three years of recovery (2009–2012) is estimated to have gone to the top 1 percent," the economists write.

A majority of households saw no improvement whatsoever.

"There was a similar phenomenon in Europe, most visible in countries most affected by the crisis. In those same three years of supposed recovery, growth in average household income in Europe, as measured in the national accounts, lagged GDP growth."

Out of sync with reality

If the measurements we rely on are out of sync with how citizens experience their lives, a lack of trust in authorities will develop:

"Some would argue this is what happened in the United States and in most other industrial countries in recent years, when the GDP statistics said the economy was in recovery and yet most people felt otherwise.



Joseph E. Stiglitz is an American social economist and a professor at Columbia University. Stiglitz won the Nobel Prize in Economy in 2001.

The researchers behind the report have long been arguing for creating a new measure of growth, which also shows how a country's welfare in reality is being affected. But is it not exactly that which the UN is about to do, with its global goals for sustainable development?

Yes, the researchers admit, but the UN has no less than 17 goals, with a total of 232 global indicators which will then be complemented with national indicators to measure the work – "far too many to achieve a meaningful understanding," they believe.

Green GDP

Instead, the researchers want a broad selection of instruments, with only a few indicators. This is no easy feat, scientifically or politically. When Joseph Stiglitz was an economic advisor in the Clinton administration in the United States, he argued for the introduction of a green GDP number, to take

into account the damage economic development does to the environment.

Coal production might add to growth, for instance, but it also has an adverse effect both on the local environment, with air pollution from when coal burns and contributes to climate change. Not surprisingly, the coal lobby struck back and Congress threatened to cut off financing to the federal agencies undertaking this work if they continued to develop these metrics.

In the OECD report “Beyond GDP”, it is not only argued that current GDP figures exaggerate economic growth. Existing figures also underestimate how serious the finance crisis was.

Fewer learned on the job

“The easiest to see – and to understand as something that we typically fail to take account of – is the change to human capital. While statistics on human capital typically focus on formal education, learning on the job is just as (or perhaps) more important.”

When there are high levels of unemployment, large numbers of people are simply not learning on the job. We can only indirectly get an inkling of the magnitude of these losses by looking at what happens to young people who enter the labour force during a recession, and the effect longer periods of unemployment has on their total life earnings.

The researchers point out that when a company invests in in-work training, it is counted as a positive on the balance sheet.

The same should be done in national budgets, the researchers argue:

“If the increased government expenditure takes the form of higher investments – whether in people, technology or infrastructure – its balance sheet should not deteriorate, as assets and liabilities increase by the same amount. It is simply a mistake to look only at the liability side of a balance sheet,” write the researchers.

In conclusion, they argue that politicians put far too much trust in GDP as a measure for economic development, and therefore failed to recognise that the crisis was about to hit in 2008. When the crisis came, the politicians concentrated on the wrong indicators, and made the wrong political choices, with serious and long-lasting consequences for many people.



Picture of Marjo Bruun

Marjo Bruun: The new economy is a statistical challenge

Marjo Bruun, Director General for Statistics Finland, considers journalists to be the most important partners in the fight for honest words and digits.

THEME

17.12.2018

TEXT: MARCUS FLOMAN, PHOTO: CATA PORTIN

Director General Marjo Bruun meets us at Statistics Finland's office in Helsinki's Kalasatama district – a new neighbourhood growing out of the ruins of what was once a wasteland and container terminals. The morning before our interview, Statistics Finland presented their newest report, *Entrepreneurs 2017*, where the agency for the first time gather all kinds of entrepreneurs in one statistics report. 13 percent

of Finnish workers are self-employed or running small businesses, the report says.

These days, when people in many countries question the credibility of social institutions, and media are called the enemy of the people, it is worth asking whether statistics agencies also come under the same kind of pressure.

Is there criticism of the job you are doing and your statistics?

“Of course things expressed in social media are critical and question everything – some still question whether the Earth is round. But: by and large, the Finnish people’s trust in authorities and public statistics is still pretty high.”

Marjo Bruun says that the debate over whether statistics really stand up to scrutiny pops up every so often. Statistics covering how you calculate the employment rate or unemployment often create debate and some misunderstandings. One reason there are misunderstandings about Finland’s unemployment rate is the fact that there are two versions of the statistic: one is Statistics Finland’s labour force survey which follows the common European way of measuring unemployment by taking samples. The other is the Ministry of Economic Affairs and Employment’s job centre statistics, which counts the number of people who have registered as unemployed. In October 2018, there were 171.000 unemployed people in Finland (according to Statistics Finland), while at the same time there were 230.100 unemployed job seekers (according to the ministry).

But if there is a misunderstanding, have the statistics professionals really managed to explain the statistics in a way that people understand?

“A very large part of our statistics is open to the public on our website, and there we also try to analyse and explain the statistics. But in reality one of our most important jobs is to succeed in conveying our statistics to the media – and they then present the statistics with examples and single individuals’ situation – this is really our best way of reaching out to the general public.”

Marjo Bruun says that Statistics Finland spends a lot of time figuring out how a new social phenomenon should be studied and how to create statistics around it. She uses the platform economy as an example.

“This is a phenomenon which is hard to describe in simple figures – and we are working with that issue right now.”

Globalisation is another major issue which has challenged statisticians.

“Where does added value emerge: where is product planning taking place, where is the product made, where do the raw materials come from, where is the product being packaged, where is the product assembled, where is the service performed? All this can happen in different countries and it becomes important to find out which countries are considered to be the producers.”

Statistics as a tool against fake news

In its 2017 annual report, Statistics Norway (SSB) wrote that “SSB acts as Norway’s first line of defence in the fight against

fake news by providing objective and relevant statistics, research and analysis to help understand Norway.”

What role does Statistics Finland play in the fight against fake news?

“In a way this is the basic role of a statistics agency, that is true. But to what extent do we have the chance to make this happen. Take social media – no-one can follow everything that is written there.”



After this somewhat resigned and tentative first part of her answer, she follows up a bit more enthusiastically:

“But it is an interesting thought. Our mandate is to produce fact-based information so that anyone who needs to can use it. We also want to make sure that the correct figures are used as the basis for public debate.”

Marjo Bruun reminds us that it is important to always highlight the scientific method, how the information is gathered and presented.

“The information we create is close to reality. We cannot reach absolute truth, but we base everything on samples, which is always what you do in statistics.”

Then she comes up with an interesting example – which illustrates that a state authority has not been content with just saying “please check out the statistics on our website”. Bruun tells us that Statistics Finland has entered into cooperation with the journalist collective Faktabaari (the Facts Bar). It acts, just like similar fact checkers in other countries, as an independent fact checker of politicians’ or other players’ pronouncements, and brings that information out to people in general.

“Next spring there are parliamentary elections in Finland. During electioneering, politicians will make various statistical claims – things like how tax cuts might influence society, how many unemployed people there are in Finland, how many employed?”

Bruun says that Statistics Finland and Faktabaari will present numbers and statistics which will allow people to exam-

ine the politicians' claims. At the same time politicians' support groups will voluntarily contact Statistics Finland in order to access statistics which will allow them to present fact-based proposals in the run-up to the election.

How will the statistics agency's task change in the light of the possibilities presented by new technology and the gathering of huge amounts of information (big data)?

“This means massive change. And this is where we return to the debate about Statistics Finland's role in the so-called fake news world. The large amounts of data and our ability to refer to our sources will allow us to help improve the trust in scientific facts. There is an appetite for this – just like there is an increased demand for quality journalism in the world right now.”



Marjo Bruun also reminds us that today's busy world has made it difficult for many of those who work with data gathering; fewer and fewer people take time to answer questions over the telephone or via email. Statisticians must find new ways of getting hold of the data needed to present the correct numbers to the world.

“It is important that we manage to use all this information in a responsible way for the common good. We have to be mindful of the users' interests, the commissioners' interests and of course we have to make sure we safeguard integrity and data protection.”

New PIAAC study coming up – to measure abilities among adults

The knowledge gap between high and low skilled workers widens over the course of a working life. One way of bridging the gap is securing more knowledge about where the strength and weaknesses lie in lifelong learning. This is the reason for the second round of the OECD’s PIAAC study, which looks at literacy, numeracy and problem solving skills in adults.

NEWS

17.12.2018

TEXT: GUNHILD WALLIN

“The big differences between adults’ skills are found within countries, not between countries,” said State Secretary Irene Wennemo, when she opened the conference “Nordic PIAAC Expert Seminar” in Stockholm on 21 November.

The seminar, hosted by the Swedish Ministry of Employment and Integration, was held in the run-up to the second round of the OECD’s large PIAAC survey, which looks at adults’ knowledge and problem solving skills. PIAAC is short for “Programme for the International Assessment of Adult Competencies” and is often referred to as a PISA study for adults.

The study, first presented in 2013, is the largest such survey of adults’ skills ever carried out, and is based on interviews with a total of 166,000 people in 23 OECD countries. A Nordic network of researchers was established parallel to the start of the first round of PIAAC. They have been able to add different data registers and create a more comprehensive image of what influences adults’ skills and learning. 2015 saw the publication of an analysis of the Nordic PIAAC results, which compared adult skills in Denmark, Finland, Norway, Sweden and Estonia. Some 70 experts from these countries attended the Swedish experts’ meeting.

A tool in the service of democracy

The meeting also marked the end of a series of conferences dealing with what skills will be needed in a more digitalised working life, held during the Swedish Presidency. What skill will be more important when the labour market changes, and who will be responsible for securing workers acquire the necessary skills to face the changes?



“PIAAC shows which skills that are needed, but it also highlights the fact that highly educated people manage changes to working life better than people with lower levels of education,” said Irene Wennemo.

“PIAAC is important because it contains a lot of data, which allows us to compare ourselves to other countries, and find out what our strengths and weaknesses are. Reducing differences between people is what defines democracy, and PIAAC

is an important tool in this,” said State Secretary Erik Nilsson.

He also pointed to the large flow of refugees in 2015 which challenges education systems, both for adults school-age children. There was a big mix in the level of education among those who arrived. 30 percent of the newly arrived had approximately the same education as native Swedes, but there are also some who have no education or only a few years of schooling. The question is what they need in order to enter the Swedish labour market, which offers few so-called unqualified jobs.

School results crucial also for adults

It is difficult to predict how the large refugee flow will influence Sweden’s results in the next PIAAC study, due to be published in 2021/2022. Other studies show that if foreign-born children go to Swedish school from year one, they become equal to Swedish-born children when it comes to education. It is more difficult for those who enter the Swedish education system at a later stage. Adult education does not seem to be able to compensate for bad basic education, and to secure a job with only four or five years of basic education is nearly impossible in the Swedish labour market.



“Research shows that adult education struggles to fix damages from elementary school. If you do badly at 15, you often do badly at 30,” says Erik Mellander, Associate Professor of national economy working at the Uppsala University’s Institute for Evaluation of Labour Market and Education Policy.

He was also one of the conference moderators, and has been part of the Nordic network for PIAAC since the start in 2010. He has also participated in other studies looking at adult learning and is worried about the widening gap between people with high and low education – as well as the fact that people with the lowest levels of education get the least adult training.

“They get very little, and this is a serious problem which shows that we still have a long way to go,” he concludes.

Who owns the issue?

Compared to many other countries, Sweden is doing relatively well when it comes to adult literacy, numeracy and problem-solving using computers. But younger people lag behind and drag down the average. Those scoring low also tend to get worse with time. Gaps in knowledge is also increasing between different schools. There are several reasons for this, depending on who you ask.

“Education researchers disagree on this. Pedagogues say young people are lagging behind because of schools and the free choice of school is being returned to the municipalities, while we economists believe it is more complicated than that. School funding hasn’t been falling, but the teaching profession has lost status and this makes recruitment harder,” says Erik Mellander.

There are big variations between different trades and different regions when it comes to skills development in working life. Politicians are aware of this problem, according to Erik Mellander, but they do not have ownership of the issue of workplace skills development beyond the public sector – where there is often more skills development than in the private sector. The care sector, for instance, benefits from more skills development than many other trades.

“The private sector depends on incentives for skills development, for instance through taxation. It must become more profitable for employers to offer life-long learning,” says Erik Mellander.

Nordic countries can learn from each other

He has several proposed changes on his wish list. In the short term it is important to channel training resources for adults to those who need it most. In the medium term he believes it is important to improve results in elementary school.

“This is crucial,” says Erik Mellander.

When it comes to newly arrived people with low education levels, it is important to accept that they have arrived for humanitarian reasons, and to create systems to help them gain a basic education. It is important to provide a lot of Swedish language support for young people who start their basic education halfway through. He would also like to see an improvement in Swedish For Immigrants (SFI), to stop mixing

people with university degrees mixed with people who perhaps only have a few years of education.

“I also want to see a good triage system for those who arrive. We can learn a lot from Norway here,” he says, and adds more people should take an interest in finding inspiration from neighbouring countries.

Estonia too is an inspiration. They do not focus that much on education, but gets nearly the same results as Sweden – despite the fact that Sweden has put far more into this, says Erik Mellander.

“This shows there is room to use Sweden’s education resources more efficiently.”

The results from the second PIAAC report will be published in 2023. The main study will be performed during 2021 and 2022.