

30 September 2018

StatisticsNZ
PO Box 2922
Wellington 6011

Dear Sir/Madam

Re: Indicators New Zealand

BusinessNZ would like to take the opportunity to comment on Indicators New Zealand and its lofty objective of improving the well-being of current and future generations of New Zealanders. As stated in the information document, *"the indicators will be a single source of truth for measuring New Zealand's well-being. They will go beyond economic measures, such as GDP, and will include well-being and sustainable development"*.

Background

In late 2017, BusinessNZ provided input to StatisticsNZ's Non-Government Economic Discussion Group's Tier 1 Statistics Review. As expected, the list of Tier 1 indicators focused only on key enduring statistics that provide a clear pathway for appropriate public and private sector decision-making. We suggested that to ensure the most worthwhile statistics are chosen, it is important to consult the private sector early if the list is to meet both public and private sector needs.

Overall, we supported the existence and development of Tier 1 statistics, and believed the current list of 161 statistics provided a useful basis for measuring New Zealand's performance. However, as the review indicated, this did not mean certain changes could not be made to ensure the list was up to date with current policy development and societal trends. Therefore, as well, we took the opportunity to outline our thoughts about potential changes that might be made, including broadening the Tier 1 range. We also proposed certain deletions and additions.

Fast forwarding to today, the current Government has decided to introduce another set of indicators beyond the current Tier 1 statistics, using a triangular – economic, social and environmental - *'well-being approach to improve strategic decision making'*, which will be of fundamental importance to the decision-making process across the whole of Government. StatisticsNZ's triangular figure and the Minister's

press release both point out that the indicators and Treasury's Living Standards Framework will come together in the 2019 Budget to form a base on which everything else will be built.

While BusinessNZ has no strong views on the exact statistics which Indicators New Zealand should include, there are some fundamental principles we would want to see acknowledged when a list is developed. Some we have already touched upon in our submission on the Tier 1 statistics review; others need to be added given the very different direction the Government is now heading when it comes to measuring the New Zealand economy effectively.

Tier 1 statistics as a foundation stone

Essentially, the current Tier 1 statistics should form Indicator New Zealand's major building blocks. Supposing these indicators are not already providing an accurate and worthwhile measure of New Zealand's performance would mean policies implemented in reliance on the statistics are not presenting a true picture of this country. Many Tier 1 statistics are internationally tried and tested indicators allowing both for international comparability and the measurement of progress over a lengthy time series. These include, among others:

- Gross Domestic Product (GDP)
- Consumer/producer prices
- Unemployment
- Personal and household income
- Balance of payments

Recommendation: That current Tier 1 statistics make up the majority of Indicators New Zealand.

Indicators based on solid fact, not opinion

In our submission on the Tier 1 Statistics, there was discussion around whether 'land use' and 'land erosion risk' should be included. While we had no strong opposition to the inclusion of 'land use', we pointed out that the including 'erosion risk' would mean including a statistic that by its subjective nature was in many respects different from most of the other statistics used.

In contrast to the more subjective erosion risk measure, almost all the current Tier 1 statistics are a form of binary or strictly measured data. BusinessNZ urges extreme caution when considering the inclusion of a subjective measure for Indicators New Zealand. Both Tier 1 statistics and Indicators New Zealand should be primarily based on solid fact, not opinion.

Recommendation: That the indicators used are based on a form of binary or strictly measurable data, rather than any subjective measure.

Number vs rate

In relation to the points raised above, we would also be concerned if the right topic were included but the wrong metric used. Any indicator included must be enduring and fit in with international best practice.

For example, New Zealand's road death statistics are often mentioned in the public domain, with a particular focus on the number of deaths over a certain time period (i.e. the Easter road toll or over the year). However, simply comparing the number of deaths from one year to another obviously does not take into account relevant factors, in particular the overall population and the number of cars on New Zealand roads. If the comparison were to include these, it would be preferable to use rate, rather than number. Indeed, this is exactly how the Ministry of Transport provides additional measures, with deaths based on 'per 100,000 population' and 'per 10,000 vehicles'.

Also, it is worthwhile noting that the number of injuries from road accidents is reported alongside the number of deaths. Again, a rate metric should also be employed via injuries 'per 100,000 population' and 'per 10,000 vehicles'. Simply looking at the total number of injuries in itself does not provide a nuanced and accurate measure of the current state of play.

Crime reporting provides another example of how an isolated statistic might not tell the full story. Policies of the day could encourage victims to report certain crimes, or there might be an additional emphasis on solving certain types of crime. If this leads to a spike in the reporting of such crimes that does not automatically indicate the form of crime has actually increased. Rather, the reporting spike is more likely due to other reasons, such as victims taking heed of the need to report that kind of offence, or increased police resources focusing in on that type of crime.

BusinessNZ also envisions StatisticsNZ having to consider indicators that some might see as adverse to society. This will most likely happen with the inclusion of environmental and social indicators. StatisticsNZ must therefore be vigilant. Such indicators can often be easily skewed to show a particular point of view.

Overall, StatisticsNZ will need to temper the use of any new indicators recognising the possibility they might not provide an accurate picture of what is really taking place in society. Therefore, BusinessNZ recommends choosing indicators capable of providing an entirely accurate and unbiased representation of the New Zealand economy as a whole.

Recommendation: That the indicators chosen provide the most accurate and unbiased representation for New Zealand economy as a whole.

Statistics from Private or NGO Sectors

Given the Government wants to develop a new comprehensive set of environmental, social and economic indicators, it begs the question whether statistics produced by the private or NGO sectors should be eligible for inclusion as indicators. The potential use of data from such sources was also examined as part of the Tier 1

review, including whether the data should be subject to the same rigorous quality assurance processes as data produced by government.

BusinessNZ would support the inclusion of statistics from the private or NGO sectors as new indicators, if required. There will be times when the private, rather than the public, sector can more effectively and efficiently collect the data essential to critical decision-making. That the statistics were not produced by StatisticsNZ would not make them any less worthwhile.

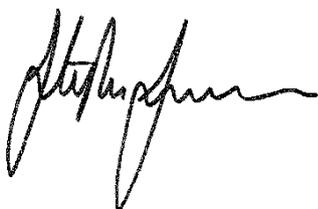
However, obviously, the inclusion of any private sector/NGO statistics would need to follow the same rigorous quality assurance processes as for existing Tier 1 statistics. While StatisticsNZ's purpose is to empower decision-making by adding value to New Zealand's most important data, by comparison, private sector statistics are often produced purely to inform a particular sector, or to create a commercially competitive advantage, ultimately lifting sales or gaining new customers/clients. As a consequence, if producing the statistic is no longer commercially viable, those producing it will have no hesitation in ceasing the operation that led to its production.

StatisticsNZ will have to balance carefully the need for private sector-based indicators against both the current and potential additional resources required by the private sector to ensure rigorous quality assurance. It will also need to consider whether the statistic is likely to be collected on a medium-long term basis. We encourage StatisticsNZ to take a commercial approach to this issue to ensure any new indicators coming from the private sector are sustainable for all parties involved.

Recommendation: That indicators from either the private or NGO sectors are considered, provided they go through the same rigorous quality assurance processes as the existing Tier 1 statistics.

Again, thank you for the opportunity to comment, and we look forward to further developments in this area.

Kind regards,



Steve Summers
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BusinessNZ