Statistics that can't hide the reality

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The official statistics has to be reliable; otherwise economic decisions cannot meet either present or long-term goals. For example, if the actual level of unemployment and poverty is higher than the official government statistics, the government will look at the statistics, instead of the reality. As a result, because official data will not indicate unemployment and poverty as a severe problem, decisions made about these matters will not be effective. Another example is that if the official statistics do not correctly identify the rise in the death rate of the working age population or the cause of their death, one won't expect healthcare programs to take adequate measures to address this problem. Official statistics have to measure inflation and nominal income growth rate accurately, because otherwise, social policy directed towards increasing real income of the population will have wrong goals.

Having reliable statistics is of vital importance not only for government institutions making certain decisions, but also for independent think-tanks preparing alternative reports that these government institutions and the society can benefit from. Every year the government allocates millions of manats from state budget to research institutes. But how does their research benefit the government or society if they work with statistical data that does not reflect the reality?

Using statistics as a tool of political propaganda can benefit current personal interests of government officials, but it hurts strategical interests of the society.

Independent researchers have distrusted a number of indicators in the official statistics in Azerbaijan for many years, particularly important statistical data that is of special interest to the society, such as poverty, unemployment and the

level of inflation.

For instance, the government claims that the official poverty level in the country in the past few years has been around 5 percent. However, independent experts do not trust the official poverty level statistics, because they consider the mechanism that the government uses to measure poverty inaccurate.

In the official statistics, poverty level is measured based on the level of the minimum consumer basket. On one hand, current standards of this basket, food standards in particular, are substantially lower than standards of both developed and developing countries. On the other hand, food accounts for most of the current cost of living. This approach actually allows to measure "food poverty" (which is referred to as famine in some countries). But in fact, poverty is measured based not only on the minimum food security, but also on the access to a number of social and utility services, and housing. Furthermore, many countries, in addition to absolute poverty, measure relative poverty based on median income. But there is no official data on median income in Azerbaijan. Moreover, the government of Azerbaijan has not changed the mechanism (particularly the minimum level of food consumption) used in countries with slow economic growth to measure poverty level.

Yet, during this period Azerbaijan moved from lower middle-income status (GDP per capita is less than 4085 dollars) to upper middle-income (GNI per capita is between 4085-12615) as a result of large oil revenues. The method that is currently used in Azerbaijan to measure poverty is common for countries in the low and lower middle-income status. If transition to high-income status is a result of achieving high standards of living, then methods of measuring these standards should also improve.

Moreover, the official unemployment level in the country is 5

percent. In most countries unemployment is calculated on a monthly basis and it changes depending on the number of seasonal workers. But since the government of Azerbaijan conducts statistical survey on unemployment quarterly, seasonal workers are excluded from this statistic.

Also, laws on employment prohibit considering people of working age, who own agricultural land plots, as unemployed.

But the land allocated to family farms in many villages and regions is so small (0.5 hectares for a family of 4), that engaging in farming activity does not provide those families with a monthly per capita income that meets even their "basic needs."

But despite all these shortcomings and suspicions, it is better to "have at least some kind of statistical data than none," because when professionals examine the available statistics, they find real problems, as well as significant contradictions in the official statistical data. The only problem is that they just have to research all related information in order to find any contradictions in even one data.

For example, there is skepticism among the public about the 5 percent unemployment rate, whether government accepts it or not. Yet another totally different piece of information in the statistical data provides basis to justify these suspicions. And that is the data on the number of families receiving one-time monetary benefits for having a child. According to the information from the State Statistical Committee, 147.7 thousand families received a one-time allowance (90 manats) for their child's birth in 2016. The law states that if at least one of the parents pays official insurance premiums, the one-time allowance is covered by the insurance and is paid by the State Social Security Fund.

But when none of the parents of the newborn are working, this one-time payment is made from the state budget by labor and

sosial security centers, in accordance with the law on "Social benefits." The official statistical information indicates that only 37 percent (54.3 thousand families) have received this benefit from the insurance fund, which suggests that at least one of the parents in those families was officially employed. The remaining 93.4 thousand families (67percent) received that money from the state budget, which means that in 63 out of 100 families both parents were officially unemployed. This provides serious grounds for casting doubt on the official statistical information about the unemployment rate.

It can be argued that some of these people have been doing some kind of informal work, which means that they had an actual income. But the counter-argument to this would be that there is no guarantee that the level of informal employment has not been deliberately exaggerated and that people who are actually unemployed have not been included in that group for political purposes. One could also wonder if there are any valid official facts or alternative research that can convince the public to trust these statistics. It seems reasonable for the population to question the 5 percent unemployment rate in an environment where almost 70 percent of people are not covered with social insurance.

Another interesting example is that people have long been skeptical of the official data on the population of Baku. Even ordinary people argue, citing many cars and people in the city, that the real population of Baku is at least 50 percent higher than the official statistics. In fact, it would be easy to come up with the correct number, if there was information about utilities consumption in the regions (drinking water, natural gas, electricity). But there is some other data in the State Statistical Committee that helps to get a more accurate information on Baku's actual population. However strange it may sound, that data is the "overall enrollment ratio in primary schools." It calculates the ratio of the actual number of students in grades 1-4 to the number of children between 6 and 9 years living in a particular area. Usually this ratio is

approximately 100 percent. And the latest statistics show that enrollment rate in elementary schools in the country, except Baku, Sumgayit and Absheron, varies between 90-100 percent. In Baku, however, the overall ratio of students enrolled in elementary schools is around 155 percent. This means that the number of 1-4 grade students in Baku is 55 percent higher than the number of children aged 6-9. The reason is that parents of more than half of students in grades 1-4 are not registered residents of the city. These are mostly people that have moved to the capital from the regions. When calculating this ratio, the number of all students is taken into consideration, but the number of children aged 6-9 is calculated based on their official residence.

Thus by comparing school enrollment and population statistics, it can be argued that the actual population of Baku is 40-50% higher than the number of registered residents.

The registered population of Baku is 2.2 million people. However, the number of people in schools that have not been registered in Baku (approximately 50%) suggests that the actual population of the city is higher by 700-800 thousand people.

Even though our official statistics are unreliable, they are, in fact, unable to completely obscure the reality.