

## Royal Statistical Society response to the Public Administration Select Committee's inquiry on statistics for the economy and public finances

### Summary response

- The Royal Statistical Society (RSS) is a charity which promotes statistics, data and evidence for the public good. We are a learned society and the only UK professional body for all statisticians. We are a source of expertise with regard to official statistical systems and are glad to respond to this consultation with a view to more effective use of economic and financial statistics in the public interest.
- The call for evidence is couched in terms of priorities for improvements by ONS. It should be recognised, however, that other public bodies have a role to play in the production of economic and financial statistics and should be making a contribution to their improvement. In particular, the Treasury and the Office for Budget Responsibility should be making improvements to the Budget Red Book; the Bank of England should be checking the quality of Libor and other financial data, and the Cabinet Office should be improving the legislative and procedural framework for better access to tax and administrative data. However, the Office for National Statistics has the prime responsibility in this area and so our response addresses issues for that office in particular, noting that extensive collaboration with other government departments has always been and must remain of critical importance.
- **Question 1: “Are these the right areas for improvement, within the broad topic of statistics for the economy and public finances? Are there any which are missing?”**
  - We agree all the issues identified are key areas for improvement across economic and financial statistics as a whole. An area we think is not covered is training users to adequately interpret and use economic statistics. This is particularly needed in government to improve policy making and economic management. User engagement is noted as important, but this is not in itself sufficient.
- **Question 2: Which are the top three areas for improvement? What needs to be in place to make improvement happen?**
  - We would not advocate any strict hierarchy in addressing issues, as we support all of these as areas for improvement. However we recognise three of the fifteen issues identified as underpinning other issues. These are firstly, statistical resources, secondly data access (in particular data access for ONS), and thirdly, the need to disseminate data better (“publications”). We would highlight these three issues as strategically important, and we provide more specific recommendations related to these in our full response below.
- **Question 3: “what would excellent statistics for the economy and public finance look like?”**
  - Data collection has little value in the absence of close attention, analysis and use. Closer partnership with data providers outside the ONS, and investment in the quality of reporting, will each help in large part toward excellence. International and past ONS experience shows that without a high degree of cooperation and mutual help between separate centres of expertise in financial statistics, the quality of the accounts suffers. An excellent system would see a far higher degree of collaboration toward a shared goal of excellent statistics. The UK Statistics Authority has a key part to play in delivering this.

- One of the greatest strengths of the UK's economic statistics is that they are part of an integrated framework set out in the internationally recognised System of National Accounts (SNA) and its European version (ESA). The ONS follows this framework in principle, but lapses and deviations have become apparent in recent years. In particular the published public sector accounts have often deviated from the sector accounts, and publication of the balance sheets of non-financial assets was temporarily stopped. Coherence in this area should be urgently pursued, including the ONS flow of funds programme, which should go some way toward making this part of the accounts fully functional.
- We need also to aim for a system that measures the full breadth of issues connected to the economy including well-being, productivity, and environmental impacts. Data collection is not the most crucial issue for this. Investment needs to be made in integrating the data that is already collected, and bringing it into wider circulation and use. A good example of this is the recent publication of an economic wellbeing report alongside the quarterly national accounts; we think that this is a good approach that should be built upon. A system of labour accounts is also needed which is fully consistent with the national accounts; this will be necessary for studies of productivity and of household well-being.
- In our full response below, we comment on further specific areas that we think should be properly addressed to achieve excellence. These refer to statistics on the public finances; the Johnson review of the range of price indices; labour market statistics, and financial sector statistics.

## **Full response and supporting evidence**

### **Question 2: Which are the top three areas for improvement? What needs to be in place to make improvement happen?**

#### **1.1. Improvements needed to statistical resources**

- 1.1.1. It is crucial to recognise that high quality and coherent economic statistics that meet all important user needs are resource intensive, and high quality and experienced staff are required. We firmly believe that the ONS is over stretched at the present time and inadequately resourced. A strategic effort is needed to adequately resource the publication of a wider range of statistics on economic issues of national importance.
- 1.1.2. In the 1960s and 1970s, the UK was one of the leading countries in the development of the most appropriate forms of accounts for economic analysis. One of the consequences of the cutbacks following the Rayner review was not just the reduction in basic data but also in the resources necessary to maintain this position of excellence. We have seen a decline compared to our historic position, and increasing criticism in the media that the national accounts do not cover topics of vital importance. This is particularly unfortunate in areas related to financial services where the UK is a major international player.
- 1.1.3. Cutbacks in resources have also led to over-concentration on measures of GDP and growth. This is at odds with the need for a system that measures the full breadth of issues connected to the economy including well-being, productivity, and environmental impacts. Data collection is not the most crucial issue to address this. Investment needs to be made in integrating the data that is already collected, and bringing it into wider circulation and use. We therefore welcome the recent publication of an economic wellbeing report alongside the quarterly national accounts, and think that this should be built upon.
- 1.1.4. Improvement in resources should not only address the number of staff, but also their priorities. As a broad goal, we support that more must be done to measure services, while detail in the manufacturing sector can be reduced. To address this, we would like to see a

centre of expertise in financial statistics re-established within an enlarged and enhanced National/Sector Accounting Division of ONS.

1.1.5. Statistics on employment and labour markets could also improve. It is revealing that politicians, including the Prime Minister, can get tripped up by the difference between the number of jobs in the economy and the number of people in employment. The lack of understanding of important economic measures alongside GDP can in part be addressed by basic training to interpret statistics; but interpretation will also improve by resourcing good quality statistical reporting.

1.1.6. Alongside better resourcing in terms of the number of staff and their priorities, it must be recognised that the staff in post need to have complete mastery of the statistical and economic bases of their work in order to develop innovative responses to emerging policy concerns. Training and professional development must be supported on an ongoing basis.

## 1.2. **Improvements needed to data access for ONS**

1.2.1. The ONS needs to access and integrate financial and economic data from a much wider range of sources, to provide a coherent basis for understanding the economy. Comprehensive and timely information is important to inform government and society as a whole. Different solutions will be required in different cases, and we outline some specific examples below.

1.2.2. To improve access to financial data, we would recommend a Memorandum of Understanding between the ONS and the statistics division of the Bank of England, to cover their partnership in work on the economic accounts. As well as working more closely with ONS, we would like to see regular financial statistics produced and published by the Bank of England become an accepted part of official statistics.

1.2.3. Access to administrative data is an important element needed to address some further issues in the quality of our economic statistics. One evident example of this is that there is a good case for ONS to access administrative data from HMRC, specifically and strictly for the production of statistics.

## 1.3. **Improvements needed to data dissemination**

1.3.1. In the move to new media, reporting has in many respects become more piecemeal. A strategic effort needs to be made to bring relevant information together to allow both easy access to all economic and financial data and greater understanding of trends. We hope that the new ONS website, currently under beta test, will overcome most if not all of the well-known access and navigation problems of the old; if not shortcomings must be urgently addressed.

1.3.2. We support that the ONS should set out a picture of the economy based on a reading of all economic data from the most relevant sources. To address this, we would like to see the advantages of the discontinued compendium of Economic Trends re-instated, in terms of ONS economists reporting publicly and online the most important summary measures. This would greatly improve upon the more piecemeal reporting we have at present.

1.3.3. Statistical publications should include not just the numbers of interest but also analysis of them. There should be disclosure of the methodology used and of the inter-connectedness of different data sets. Historically the UK had an exemplary record in this respect but in recent decades it has become extremely difficult for users to understand the detailed basis of many statistics. Such difficulties make errors in interpretation more likely.

- 1.3.4. Reporting of data on a regional basis is very limited at present. This will be important to improve, as it forms the backdrop to present and future discussion on the consequences of devolution throughout the whole of the UK. For example, there is a clear need for a properly comprehensive official series for house prices capable of being disaggregated to a substantial degree, both geographically and by type of house.
- 1.3.5. The Bank of England has made available on its website scanned copies of past publications. It would be extremely beneficial to users of ONS data if they followed this cost-effective extension of the data available to users. Archives are important both to inform future decisions and as a matter of public record, as they allow us to examine past actions against the information that was then available. Archived versions of data releases should be preserved online and should not, as at present, be over-written with the latest version.

**Question 3: “What would excellent statistics for the economy and public finance look like?”**

- 2.1. Please refer first to our earlier summary points which apply also in full here. Here we comment on some further specific areas that we think should be properly addressed to achieve excellence.
  - 2.1.1. The committee notes rightly that public finance is a confusing, as well as controversial, area for users of statistics. Efforts to bring clarity into publications are badly needed. A system of more open governance, with ONS in the lead and publishing minutes of meetings, would be a great step forward to address potentially controversial decisions such as the classification of entities to public or private sectors, or treatment of unusual items.
  - 2.1.2. The recently published Johnson review into the range of consumer price indices has not adequately considered the main objective of looking at the range of indices needed. For example the review team only consulted a limited range of organisations, primarily from central government and related bodies. The RSS believes that a Household Inflation Index, reflecting what households actually pay and including a realistic measure of housing costs, is likely to be essential to replace the discredited RPI for uprating purposes. Neither CPI nor CPIH is adequate for this purpose.
  - 2.1.3. The labour market is becoming more diverse with more flexible ways to work (eg zero hours contracts) and growth in both the number of self-employed and the variety of ways they work. Better understanding and measurement of these are essential. A major weakness is the exclusion of the self-employed from both of the main surveys of earnings.
  - 2.1.4. We fully endorse the work on expanding the published sub-sectors of the financial sector and also the planned development of ‘flow of funds’ accounts. However the financial accounts themselves also need further development. Our System of National Accounts specifies the following accounting formula: Closing balance sheet = opening balance sheet + financial transactions account + revaluation account + other changes in assets account. At present only the balance sheet and the financial transactions accounts are published by ONS. Under the lead of the ONS, we would like to see a much greater involvement of the Bank of England’s statistics division to improve on the extent of current reporting.

*Response submitted on behalf of the RSS’ National Statistics Advisory Group by Olivia Varley-Winter, Policy & Research Manager, on 4 February 2015.*