

Response from the Royal Statistical Society to the Bean Review of Economic Statistics

For what purposes do you use economic statistics produced by ONS?

The Royal Statistical Society (RSS) is a learned society and professional body for statisticians and data analysts. We are one of the world's leading organisations to promote the importance of statistics and data, and have done so since we were founded in 1834. One of our six key strategic goals for 2014-2018 is for statistics to be used effectively in the public interest, so that policy formulation and decision making are informed by evidence for the good of society. Our National Statistics Advisory Group has advised RSS' response to this consultation with this goal in mind.

Instructions for responding to the call for evidence

We would appreciate it if all responses had a summary of the key response points.

Summary of key response points:

ONS needs greater expertise in national accounting and more resources on economic statistics generally, both to meet current and future needs and to re-establish its position amongst world leaders in all aspects of integrated economic accounts.

ONS needs better access to administrative data from both the public and private sectors to provide a better and wider range of statistics more cost-effectively. New legislation should be put in place to give ONS the right of access to confidential personal and business data (for statistical purposes only) from both the public and private sectors.

We would like to see closer working relations between ONS statisticians and Treasury and Bank of England statisticians/economists in the future, while retaining the lead role of ONS and its statistical independence.

A very large proportion of ONS's output of economic statistics is produced to meet the requirements of EU legislation, which have had to take priority irrespective of their actual value. An attempt needs to be made to assess the utility of ONS's statistics, against which the case for funding new domestic requirements will need to be made.

Section 1 questions: assessing the UKs future statistics needs

Q1. From your perspective, what are the most significant outstanding challenges in measuring the modern economy?

- Globalisation.
- Financial innovation.
- Capturing on-line merchandising and provision of financial and other services such as automated advice and information exchange.

Integration of the economic accounts with labour market information and capital stock is necessary to improve productivity studies.

Improved and more flexible methods of data collection that make use of the latest ICT and data science techniques are essential to keep up with the changing nature of economic activity.

Q2. Are there features of the modern economy that you think are not well captured in the present range of UK economic statistics?

The standardised presentations of economic statistics required under EU legislation do not indicate how far and how adequately new features of the economy are captured. For example, a table showing new investment in “capital formation” does not in itself show how far new forms of intangible investment have been incorporated in the total figure. The UK should develop supplementary presentations to make these aspects clearer, for example in the classifications of businesses, international transactions, and in the relation to characteristics of the labour market. A good example of this is the publication of an economic wellbeing report alongside the quarterly national accounts; we think that this is a good approach that should be built upon.

Q3. What do you think should be the two or three top statistical priorities for measuring the modern economy?

A fully articulated set of quarterly economic accounts exists but is given little prominence in press releases and should be elaborated to include the labour market, balance sheets and flow of funds. This would be the basis for various presentations and indicators of economic welfare and wellbeing as well as traditional national accounting aggregates. For example income and wealth distribution, with shadow accounts on the environment.

The development of a system measuring economic activity needs to be able to reflect economic developments of concern to policy makers and analysts, to respond to analytical needs. For example, the accounts need to demonstrate how the financial industry operates in terms of the charges levied at different stages of its operation. The accounts should also pay more attention to the interaction between economic, social and environmental factors. Special supplementary statistical presentations should, for instance, help analysts show how the economy relates to increased health and social cost requirements and the demands for greater devolution across countries within the UK and the regions of England. Such analysis should enable further understanding of the sustainability of economic developments.

Users' understanding of data collection and statistical quality also needs continually to be addressed, so that appropriate data sources are selected for wider presentation and analysis.

Regular discussion between producers and users is required in order to make progress. For example, how to capture information on, and incorporate into existing accounts, services that are provided free of charge to the consumer and treated as advertising, for example sponsorship of sporting and cultural events and the advertising that pays for Google.

Improved measurement of the economy needs to be accompanied by better outreach and communication, so that public understanding of economic statistics, by way of key intermediaries such as the media, can improve.

Section 2 questions: *effectiveness of ONS in delivering those statistics.*

Q4. What are the strengths and weaknesses in ONS's current ability to deliver the existing range of economic statistics?

Following relocation of all economic statistics to Newport, ONS has continued to successfully produce a wide range of routine and regular statistics and outputs. It has a track record of independence and publishing quickly and on time. Having all the staff concentrated on a single site in Newport (since relocation) has also facilitated greater staff interchange and staff development within ONS. The move to Newport has, however, led to a serious loss of technical expertise and institutional memory, especially in the area of national accounting. There is a need for increased resources, staff development and training to bring the standards of expertise in national accounts back to the level of the best in the world.

We have seen deterioration in the capacity for ONS to think beyond production of its routine statistics and to be able to respond to new developments. ONS do not have an overall strategy for economic statistics and often appear to be just turning the handle of their production systems without a process of continuing improvement (beyond meeting the requirements from the new version of the SNA).

Across the office as a whole and within economic statistics in particular, the office appears to be fragmented into "silos" of competence at a very detailed level. Such development plans as exist tend to be so all-embracing as to be non-specific or lack the over-arching vision and strategy for coherence across the various affected areas.

It should be recognised that a very large proportion of ONS's output of economic statistics is produced to meet EU legislation. These statistics thus have priority in resource allocation irrespective of their actual value and any cuts in funding for official statistics will fall disproportionately on domestic statistical requirements. Conversely any new domestic requirements will need additional funding. An attempt should be made to assess the utility of ONS's statistics, against which to set the case for funding domestic requirements.

The Office needs to pay more attention to documenting how data are produced and not just concentrate on analysing the latest movements in key indicators. In at least some cases, lack of

documentation to explain how new phenomena are captured leads to assertions that they are not happening.

The inadequacies of the ONS website have also presented a grave obstacle to effective communication between the producers and users of economic statistics. Moreover, historic data and time series do not seem to be comprehensively archived in the web databases.

A concerted effort is needed to ensure that more ONS staff take an interest in the use (not just production) of their statistics, and that they reach out to users for this, for example through StatsUserNet, and take part in seminars and conferences organised by others.

Closer working relations and greater interchange of expertise with partner organisations is needed, in particular more interchange with HMT and the Bank of England. Financial statistics would also benefit from more extensive cooperation and joint working with Bank of England statisticians. Further, ONS needs to listen more to expert and experienced users generally both within and outside government. Sometimes there is resistance to listening to users who may be suggesting new ideas or criticisms, which is probably at least partly due to lack of resources. In other areas of statistics, setting up and working closely with an advisory committee has brought great benefits, at little cost, though the sharing of problems and potential solutions. It is important that ONS retains its independence, however, since this is key to public trust in statistics.

Q5. What steps do you think are needed for ONS to have the capability to collect, analyse and disseminate the relevant data to meet future statistics needs?

Data collection from business is still largely paper based and ONS has been very slow to adopt electronic data collection. It has also failed to take account fully of the increasing complexities of modern business – for example online and cross border sales and services, business services contracted out or provided via the internet. An integrated approach to combining administrative data with statistical data collection systems is needed. Where developments are under way, for example for the 2021 Census of Population, action is needed for more coherent approaches across ONS's outputs.

The statistical legislation of 2007 did not address data collection powers for the ONS and the wider GSS. These still rely largely on the out of date Statistics of Trade Act 1947. This needs to be updated to widen the powers and to make it simpler for ONS to make returns compulsory. For example, in price collection some retailers are reluctant to provide scanner data to ONS. Current legislation does not allow enforcement, so should be re-examined.

The 2007 legislation has also not provided an effective mechanism for ONS to access confidential administrative data collected by other government departments. ONS has a long track record of protecting confidential data through many years of conducting the Census of Population and collecting business data using the Statistics of Trade Act. New legislation should be put in place to give ONS the right of access to confidential personal and business data (for statistical purposes only) from both the public and private sectors, as is the case for example in Canada.

Data collection from financial institutions does not always have to be done by ONS itself. All banking statistics are already collected by the Bank of England, some of them for ONS purposes as well as for Monetary Policy and Supervision. This model could usefully be extended to other

types of financial institution, allowing ONS to concentrate its data collection resources on non-financial corporations. However, it remains vital that it is ONS that collates the data, reconciles it and prepares integrated economic accounts, including balance of payments and financial statistics. International 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.

Q6. What scope is there for ONS to exploit emerging data-science techniques in meeting future statistics needs?

ONS has started to investigate the potential of big data to enhance or replace existing data collection methods. The exploratory work should be converted to a determined and highly professional approach to exploiting such developments as a matter of high priority.

Section 3 questions: the governance framework

Q7. Do you think the current governance arrangements for economic statistics support their effective production?

Until recently, the governance arrangements for ONS have not operated as the original legislation intended. The intention of the legislation was for the National Statistician to be the Chief Executive of the UK Statistics Authority (UKSA) and for this post-holder to have day to day control of ONS and the statistics it produces. Instead, ONS has until recently been managed by a DG post and overseen by a UKSA Board chaired by one of the UKSA Deputy Chairmen.

With the arrival of a new National Statistician, and the appointment of a further two new DG posts, governance arrangements have changed. The National Statistician now manages ONS directly with a team of three DGs, leaving the UKSA Board to undertake its oversight and regulatory roles. These new arrangements should lead to improved management of ONS and should be allowed time to bed in. This governance applies to the whole of UK statistics including economic statistics. We do not see a case for separating the governance of economic statistics from the rest of National Statistics.

Q8. Are there changes to those arrangements that you would advocate?

The Board currently has several members with knowledge of public services in general but few with a working knowledge of official statistics. The proven expertise of potential Board members in social or economic statistics should be a requirement for appointment. Board membership should maintain a balanced coverage of all aspects of official statistics, so that a clear strategic direction can be set and a robust challenge function operated.

If there is anything else regarding the terms of reference of the review which you would like to feedback please do so here:

We would like to conclude with two further comments:

It is not possible to consider economic statistics in isolation from other areas of statistics. Many of the issues referred to here apply equally to social statistics. Many economic statistics such as unemployment and income distribution are important social indicators and there is increasing

pressure to situate economic developments in a wider context, for example environmental impact and sustainability.

Economic statistics, and indeed official statistics in general, have not always had the support and interest they need from key users, sometimes due to those users lack of knowledge or understanding. This forms a real barrier to constructive dialogue and the best use of resources. The RSS supports and call for more interest in, and knowledge of, statistics among ministers and senior civil servants. The economics profession should also bear some responsibility here. National accounting is no longer taught at any university, as far as we are aware, and many practising economists do not have sufficient understanding of statistical compilation. ONS's Economic Forums are a welcome initiative in this regard but the economics profession should look to improving training both in universities and during economists' careers.

Submitted by RSS' Policy and Research Manager, 25 September 2015