

Economics at the ONS: Increasing Openness, Improving Capability

Setting the Agenda

December 2015

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Introduction

The Office for National Statistics (ONS) is the UK's national statistical institute and largest producer of official statistics, with responsibility for collecting, compiling, analysing and disseminating a range of key economic, social and demographic statistics about the UK.

Our strategy 'Better Statistics, Better Decisions' sets out ONS's ambition to be an organisation that:

- is innovative and creative - providing a firm evidence base for sound decisions
- understands the questions that face government, citizens and business in the UK
- produces high quality statistics, analysis and advice to help the UK make better decisions
- focuses our surveys on the areas of greatest benefit and aspires to deliver them digitally
- uses our position to make the UK's data infrastructure world class
- produces high quality statistics that meet customer needs and are worthy of their trust

Everything we do needs to be aimed at supporting evidence-based decision making, whether public policy and debate, the commercial decisions of UK enterprises or by people in pursuit of their lives. Unless ONS is successful in this, its value would be limited, so this must be the touchstone.

A vital part of meeting these objectives is improving economic statistics to keep pace with the rapidly changing nature of the economy. That means reflecting these changes in our methodologies and mode of production. We also need to deliver and enable greater insight into the economic statistics we

produce, and ensure that the economic story behind these statistics is drawn out accurately and clearly.

To attain these goals, a pre-requisite is increased access to high quality economic skills. Some of these can be recruited and grown internally. But it is also important that ONS has greater external engagement, working in partnership with users and external experts.

At the same time, ONS recognises its obligation to support the research community and other external experts, making the statistics and other information that they need easily available.

This document sets out more specifically ONS's strategic intent to meet the changing and increasing demands for economic statistics. It builds on 'Better Statistics, Better Decisions' and the other considerations set out above. The objective is an ambitious one: to give a framework for ONS to fulfil its potential.

The objective cannot be achieved overnight but will need sustained effort over a period of months and years. To start the journey, however, ONS is announcing in parallel with this document a set of specific initiatives designed to allow immediate progress.

The Strategic Approach

The approach can be summarised under three headings:

- Increasing ONS's capability
- Improving engagement with users
- Better meeting researchers' and decision-makers' needs

1. Improving ONS's capability

ONS has employed professional economists for over 20 years. When ONS's economic statistics were based in London, it had a team of around 15-20 economists. Since the re-location of this function to Newport, this number has grown significantly and there are now around 60 economists employed in the

organisation, as recognised by the Government Economic Service, including 5 members of the Senior Civil Service, plus around an additional 25 Government Economic Service student placements.

However, in order to meet the challenges of measuring the increasingly complex modern economy, we are conscious of the need to grow these numbers much further, by a multiple over the next 3 to 4 years. Our aim, as Sir Charles Bean's report discussed, is to create a 'hotspot' for analysis of economic statistics around our headquarters in Newport, in the same way that the Meteorological Office have made their headquarters in Exeter one of the world's leading community of meteorologists. Recruiting economists - not only in Newport but also at our site in Titchfield - from the UK's world-class universities, and beyond, will support the ongoing work ONS is undertaking, and help develop it further.

We are also investigating the best methods to improve the level of economic understanding among ONS non-economists through providing training to staff working on economic statistics, and integrating economists into multi-disciplinary teams.

We will add to this by greater engagement and partnerships with outside experts. There are several strands:

- Instituting a scheme of ONS Fellowships where researchers and other experts can join the ONS on a temporary basis under a flexible set of arrangements, either full- or part-time. Fellows will work with ONS staff in Newport and Titchfield to develop solutions to key issues across economic statistics, but do not necessarily need to be based at these locations. This is in line with the recommendations of the Review of National Accounts led by Dame Kate Barker and Art Ridgeway. The scheme will give ONS the means to access cutting edge expertise in areas that it does not have internally but which can make a major contribution to addressing and resolving key challenges. The exercise to recruit individuals to the first round of ONS Fellowships will go live in December 2015.

- Beyond the Fellowships, ONS will maintain a wider portfolio of project working with outside partners. These arrangements may take a variety of forms as is best suited to address the evolving issues and challenges to which compilation of economic statistics is subject. The common theme will be collaboration between ONS and outside researchers and other experts adding value.
- Exploring the options to create an Economic Statistics Centre of Excellence. While economic statistics play an unprecedentedly large part in public debate, and many experts make use of them, the UK does not have a dedicated academic centre of expertise. Such a centre could offer the capacity for fundamental methodological and conceptual work, for example on how best to address the challenge of measuring new forms of economic activity in a globalised world, as well as forming a platform for constructive discussion and dialogue around official statistics. This would complement the mechanisms for greater collaboration between ONS and external experts set out above. ONS will therefore work towards the formation of such a centre, in conjunction with other government departments and funding bodies. ONS would be interested to receive and discuss suggestions as to the best way forward.

2. Improving engagement with users

ONS has in recent years been working to transform its engagement with users. This has been successful to a degree but there is much more that could be done.

- ONS already provides an increased volume of original and timely analysis and commentary of economic statistics. This covers not just the national accounts, but also other economic statistics, covering the UK labour market, prices, well-being, inequality and environmental issues, as demonstrated through our wide range of regular publications. For example, the Economic Review was created in 2011 as a platform for ONS to provide analysis and commentary on the UK economy, drawing

out and pulling together the economic story from the individual statistical releases and other evidence about the economy. It now reaches a wide and growing audience of policymakers and researchers. This gives a good basis for consolidating the publication's usefulness. ONS will therefore consider whether there are ways in which it, and other publications, can be used to further improve the presentation of information to users. ONS would be interested in suggestions to this end.

- The ONS Economic Forum was instituted in April 2014 and has been held quarterly since. Commentators, journalists and other experts are invited to these half day sessions, which have normally been held in London. They have proven an effective way of identifying and understanding key stories behind the statistics in easily digestible short presentations and discussions. These events have attracted sizeable audiences and also enable invaluable two-way networking. ONS will therefore continue with this series at the same quarterly frequency. ONS has also organised ad-hoc events under the same brand, relating for example to developments in the balance of payments, measurement of economic wellbeing and issues in the measurement of the manufacturing sector.
- ONS will develop and build upon this base. We will extend existing arrangements by, for example, organising regional Economic Forums outside London to meet the growing regional and local economic agendas. The first of these will be held in Cardiff, with further events in other parts of the UK. We will also continue with the specific ad hoc events but look, in addition at a wider range of formats such as lunchtime events and sessions with mixes of ONS and outside presenters.

3. Better meeting researchers' and decision makers' needs

ONS takes seriously its obligations to help meet users' and other stakeholders' needs. A pre-requisite for doing so successfully is to understand what those

needs are and the enhanced mechanisms for two-way engagement set out above will all help with this.

To give a focus to prioritisation, ONS will consult upon and maintain an Economic Statistics and Analysis Strategy (ESAS). ONS already does this in respect of the National Accounts Medium Term Work Plan but the ESAS will encompass this and go wider to cover all economic statistics. The first draft ESAS will be published for consultation early in 2016. Once formulated, the exercise will be repeated annually in the light of changing needs and priorities, and resources. Views from government, academic, third and private sector stakeholders will be much appreciated.

Making explicit ONS's perceived priorities will allow greater scrutiny and assurance that these priorities are the right ones. In addition, the ESAS will also allow research and development priorities to be laid out, making it easier for external experts to see the areas where ONS would be particularly keen to collaborate.

A number of principles as to how ONS takes its economic statistics forward are already apparent. These will be developed further in the draft ESAS, but we would also be keen to hear stakeholder's perspective on these:

- i) Usability: There is a clear user need for more data to be made available, in simpler forms and in more detail, where this can be done without compromising confidentiality.
- ii) Timeliness: Data is of most use for decision-making if it is timely, rather than being compiled as a document of record well after the event. ONS will respond to this need by greater use of 'now-casting'. The recent first experimental release of provisional estimates of the distribution of household incomes for 2014-15 is a case in point. Now-casted estimates of public sector productivity will be published in the new year.
- iii) Consistency: Users have been clear about the need for longer consistent time series of the main economic statistics. ONS is working and will continue to work to respond to this need. A parallel announcement

today sets out the progress that has been made with national accounts series and outlines future plans.

- iv) **Quality:** Technical and other advances open possibilities to compile economic statistics at lower cost, whilst offering higher quality by virtue of using administrative data or 'Big Data' sources. Protection of confidentiality has to be a central consideration in any such agenda. Nevertheless, this agenda is one of crucial importance for ONS to pursue.
- v) **Granularity:** Economic microdata, anonymised as appropriate, is the key to progress in understanding economic developments in many areas. ONS accepts the need to improve the usability of its Virtual Microeconomic data Lab (VML), both directly and as a source for the UK Data Service's Secure Data Service. A parallel announcement today sets out actions ONS is taking to this end, building on wide ranging work undertaken over the last year.
- vi) **International comparability:** International collaboration is of increased importance. In some cases, other statistical agencies have made progress from which the UK can learn. The developments in flow of funds statistics using administrative data to improve quality and reduce cost that have been accomplished by Portugal and Austria are a case in point. Further, some issues with economic statistics that arise from increased globalisation can only be sensibly addressed bilaterally or multilaterally.

In broad terms, it is also clear that there is a demand for expanded and improved statistics in some areas. Again, the draft ESAS will develop proposed ways to address these needs:

- a) There is a need to consider and make progress in the measurement of new forms of economic activity. Value added is increasingly generated not through production of physical goods or even of services as traditionally understood but through production of knowledge of intellectual capital and other forms of 'intangibles'. These in turn can

condition the value added in traditional sectors. It is important ONS and its partners keep pace with such developments.

- b) Related, it is important to continue to develop the measurement of so-called 'missing capitals' – for example, human capital or natural and environmental capital. These are increasingly important in a modern economy as well as helping to underpin public debate about various aspects of sustainability.
- c) The UK's flow of funds accounts can learn from leading edge exemplars in other countries. Whilst positive steps have been made, given the size of the UK's financial sector, this is a priority area to address.
- d) The 'Productivity Conundrum' has been an issue of first order importance for the UK in recent years. ONS accepts its obligation to address the measurement issues to which this gives rise, as well as to advance the analysis of the causes of the phenomenon.
- e) Within this, measurement of public sector productivity and efficiency is a particularly significant element. At a time of fiscal stringency, the efficiency with which the public sector performs and public services are generated is inevitable important. In addition, the public sector accounts for nearly a quarter of the total economy. So measuring and understanding its productivity is a crucial element of the whole economy picture. ONS will therefore build on its earlier work carried out by UKCeMGA and reinforce its activities in this domain.
- f) It is clear that improved and expanded regional and local data will be needed to underpin public debate and decision making in respect to devolution, growth and infrastructure matters. ONS has always provided information of this kind. The issue will be how to add to this, so as to meet priority needs.

The draft ESAS document to be published in the new year will consider these and other emerging needs and propose a prioritised approach to meeting them. Partnership and working with external experts will be an important ingredient of doing so successfully.

Summary

This document is essentially a declaration of ONS's strategic intent in respect of the way forward with regard to future production of economic statistics and analysis. It emphasises the importance of:

- Improving its economic capability both internally and by means of greater partnership working with outside experts;
- Further improving the channels of two-way communication with users and other stakeholders;
- Better meeting their needs by improved means of identifying priorities and, explicitly and transparently, formulating plans to address those needs.

All of these aims cannot be achieved overnight. But the proposals do give a framework for sustained progress over coming months and years. A parallel document published today sets out a first instalment of actions to move in this direction. This forms the basis for further advance moving forward.