

Gordon Lindhurst MSP
Convener
Economy, Jobs and Fair Work Committee
Scottish Parliament
Edinburgh
EH99 1SP

10 April 2018

Dear Convener,

I write in response to the Committee's report, *How To Make Data Count: Improving The Quality and Coverage of Our Economic Statistics*¹, following your inquiry into Scottish Economic Data.

The report outlined several recommendations, six of which were directed to the Office for National Statistics (ONS). I would now like to take this opportunity to respond to these recommendations.

The attached note sets out our response.

Yours sincerely,



Jonathan Athow

Deputy National Statistician and Director General, Economic Statistics
Office for National Statistics

¹ [Economy, Jobs and Fair Work Committee report, 12 February 2018](#)

Recommendations made to the Office for National Statistics (ONS)

ONS Recommendation 1:

*“Prioritise boosting coverage and quality of four key areas:
Earnings; Trade (exports and imports); Price index for Scotland; Better regional –
and even smaller level – economic statistics.”*

The ONS is committed to developing improved statistics for Scotland, and the other countries and regions of the UK. Progress varies across the different sets of statistical products.

i. Earnings:

The creation of a Scottish equivalent of Average Weekly Earnings (AWE), through boosting the Monthly Wages and Salaries Survey, in theory would be possible but there would be a requirement on UK companies being able to identify and report on employees within Scotland. This would a) increase burden on businesses and b) require significant resources making amendments to ONS systems. Given these challenges, ONS's strategy, at a time when new opportunities are pointing towards transforming data collection, is to look instead for new solutions.

In particular, we are investing substantial resource in exploring the benefit of administrative data as a source for statistics. One benefit likely to arise from some of these new data sources is more robust and frequent statistics at country and regional level. In this respect, we are actively supporting Her Majesty's Revenue and Customs (HMRC) in their programme to understand the usability of PAYE data.

ii: Trade (exports and imports):

We have established an ambitious programme of developments and analysis of UK Trade statistics to meet wide and high-priority demands, particularly following the UK's vote to leave the European Union. These include the development of new systems, better use of available data, specific analysis in areas such as asymmetries, and the effects of movements in sterling. We have also engaged in development of new statistics such as trade in goods by country and commodity on a Balance of Payments (BoP) basis and trade by industry estimates.

With respect to boosting the coverage and quality of regional trade (including Scotland) the following key areas of development should be noted:

On 11 July 2017, we published '*Experimental estimates of the value of service exports by destination for the former nine Government Office Regions in England, Scotland and Wales, split by Standard Industrial Classification 2007 categories – for 2015*'.² These estimates use the International Trade in Services survey (ITIS) as the main data source and use local unit employee proportions within each enterprise from the Inter-Departmental Business Register (IDBR) to apportion ITIS export values to different countries. Hence, national-level service export values for each country of destination were apportioned to the countries and regions based on the number of employees located in a given region in a given sector.

We are working with the University of Strathclyde via the Economic Statistics Centre of Excellence (ESCoE) on a project (3.4) focussed on '*Improving the quality of regional economic indicators*' which includes work to improve interregional trade flows data. The first

² [Estimating the value of service exports by destination from different parts of Great Britain: 2015](#)

anticipated output from this project is expected to be a paper providing a description of current data in the UK relevant to the production of interregional trade estimates.

Also through the ESCoE we are working with the University of Groningen on a project (3.6) focussed on '*The Impacts of Trade on Income, Employment and Inequality in the United Kingdom and its Regions*'.

iii. Price index for Scotland:

We have commissioned the University of Southampton to produce a feasibility study into producing price indices for all the Government Office Regions, including Scotland, using current price and expenditure data. The results of this research were published in November 2017³. Following this publication, we have further commissioned University of Southampton to continue the study. Whilst still underway, initial findings of the study suggest that it is unlikely that we will be able to produce a robust price index for Scotland without a significant increase in the price sample for this area.

We are actively pursuing access to retailers' transactional databases ('scanner data') as part of our work exploring alternative data sources for consumer price statistics under the Digital Economy Act's framework to access data for statistical purposes. At such a time as we receive access to these data we will have a sufficiently detailed data source to produce regional consumer price statistics.

Work on regional price indices is currently reflected on our Consumer Prices Development Plan as a medium priority⁴. This is reviewed on an annual basis each May with our Advisory Panels on Consumer Prices. We will take the recommendations of the inquiry into account when we review priorities at this stage.

We currently produce a Scottish House Price Index as part of our country and regional breakdown, and this is further sub-divided into Local Authorities.

iv. Better regional and smaller level economic statistics

ONS is taking forward a wide-ranging devolution development programme that has already, or will, deliver better data for Scotland. In addition to those already mentioned, these include:

Developments Delivered

1. Gross value added (GVA) and gross disposable income (GDHI) data are now available for all local authorities in Scotland.
2. Balanced regional GVA estimates, bringing together existing income and production based measures into single estimates. This means 'real' measures (i.e. adjusted for inflation) are available a year earlier than previously and far greater industrial detail are also now published.
3. A breakdown of Scotland's public sector expenditure and revenue.
4. Feasibility study and experimental results for regional prices (as above, in 1.iii)

Developments Planned

1. Regional estimates of household expenditure (2018)
2. Further development of Local Authority level GVA/GDHI data, exploring the use of administrative data to take these down to geographies that can be tailored by users (2019)

³ [Feasibility study into producing CPIH consistent inflation rates for UK regions](#)

⁴ [Consumer prices development plan: updated January 2018](#)

ONS Recommendation 2:

“Explore further with the EJFW Committee how its engagement with the Scottish Parliament – and accountability via UKSA – can be made stronger, more systematic and meaningful in the interests of Scotland’s statistical needs.”

ONS welcome this recommendation, and look forward to working closely with the Economy, Jobs and Fair Work Committee in future, to improve the role of official statistics in democratic debate.

ONS Recommendation 3:

“Explore how to address the matter of UK-wide companies not having to report specifically on their activities in Scotland.”

As referenced in our response to Recommendation 1, there are a number of ways in which ONS are addressing this issue. These include exploring the benefit of administrative data as a source for statistics, linking data from existing surveys with our business register (IDBR), and using ‘scanner data’ from retailers. The advantage of these new data sources is that geographical identifiers are likely to be more readily available. For example, HM Revenue and Customs data will include addresses of taxpayers allowing earnings and income to be more easily allocated to the countries and regions of the UK.

ONS Recommendation 4:

“Explore all possibilities for improving coverage and quality through data sharing agreements.”

We note the Committee’s observations summarising the framework provided for in the Digital Economy Act which supports the UK Statistics Authority in accessing data held by public authorities and undertakings to support the production and publication of National and official statistics. It is important to note that the Act also includes very clear provision (set out in section 81 of the Act) for the devolved administrations to request access to information held by the Authority to support the production of devolved statistics and thereby to inform decision-making at the devolved nation level. This provision is inserted into the Statistics and Registration Service Act 2007 as new section 53A of the 2007 Act.

UK Statistics Authority officials collaborated extensively with Scottish Government and other officials in the devolved administrations in developing this framework. We will continue to work closely with the Scottish Government chief statistician through the Inter-Administration Committee and with others to realise the many expected benefits of this specific provision for both UK and devolved statistics and decision-making for the public good.

ONS Recommendation 5:

“Provide assurances that Scotland’s statistical needs will be guaranteed to be given full consideration and factored into decision making and allocation of resources for current and future work.”

As referenced in our response to Recommendation 4, there is a well-established and comprehensive framework which provides opportunities for Scotland’s statistical needs to be regularly set out and considered. This framework includes the Inter-Administration Committee where the Chief Statisticians of the Devolved Administrations meet with the

National Statistician; and the Devolved Economic Statistics Co-ordination Group where senior members of the Devolved Administrations meet with senior ONS management to discuss the demands, needs and topics of the day related to Economic Statistics. ONS also engages the Scottish Government when developing their Economic Statistics Analysis and Strategy, which is another opportunity to influence the priority of statistical development.

ONS Recommendation 6:

“At the same time as publishing UK labour market data, issue a separate statistical release providing the key numbers for Scotland.”

Alongside the UK labour market data, ONS has always published a separate product providing the key numbers for Scotland. This publication has been in the form of a separate workbook containing all the key Scotland data.⁵

While we support making the key numbers available for Scotland in formats that are most suitable for users and are happy to continue working with colleagues in the Scottish Government towards this end, we do not intend to create a separate release with specific analysis and interpretation of Scotland data.

⁵ [HI11 Regional labour market: Headline indicators for Scotland](#)